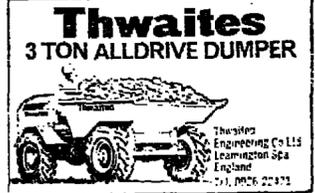


FINANCIAL TIMES

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Cloth for a Connoisseur by Keith & Henderson

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NEWS SUMMARY

GENERAL

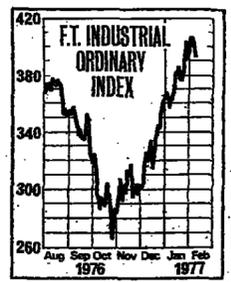
Cough vaccine warning given

Britain could face a whooping cough epidemic unless the vaccine is given to children whose parents have not had it. The Government's adviser on immunisation, warned last night.

BUSINESS

Equities slip 5.3 but gilts rally

GILTS rallied on hopes for lower interest rates. Long-dated stocks closed with gains of 1.1 while other issues advanced up to 1. The FT Government Securities Index rose 0.08 to 65.87.



Another 23 die in Smith war

Condemnation of last Sunday's murders of seven white missionaries continued, and an earlier robbery of another mission was revealed. Rhodesian military headquarters announced that 23 more guerrillas had died in the past 10 days.

Labour group to counter Left

Labour Party pressure group will campaign to halt the rise of the Left to be set under the leadership of Mr. Brian Rodgers, Secretary for transport, and a leading party moderate. Page 7

Man charged with Pont murder

22-year-old unemployed clerk charged at Belfast Magistrates Court yesterday with the murder of Mr. Frey Agate, Du Pont chief in Northern Ireland. The man was charged with murder when he was arrested at his home in Belfast on February 15.

Wilson denial

Harold Wilson yesterday denied a further denial of allegations made by Mr. Joe Haines, former Press Secretary, that he had been involved in a plot to assassinate the Prime Minister during his premiership. Page 14

Van escape

21-year-old man, who was taken from Brixton jail to a drugs charge in court, escaped from prison when he stopped at traffic lights in Ford, south London. At Hornsea jail, a prisoner climbed on to the roof and fled tiles at prison staff.

Stag air controllers

been charged with being responsible for last September's air collision over Yugoslavia in which 176 people died.

Wekah Language Society

responsible for an attack on a BBC mid-Wales TV station, a name has been named at £25,000.

PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

Booker McConnell	187	-	9
Dairy Intnl.	176	-	8
EGH	220	-	6
Griffiths	443	-	7
Grippeoids	40	-	3
Hammerman A	275	-	5
Imry Prop.	157	-	3
Lucas Inds.	231	-	8
Meat Trade Suppliers	96	-	7
RMC	87	-	5
Royal Insurance	296	-	6
Simon Eng's	141	-	8
Smith (W. H.) A	272	-	6
Tate and Lyle	303	-	10
Trust Houses Forte	128	-	4
Union Discount	305	-	10
BP	910	-	20
Shell Transport	312	-	6
Oil Expts.	82	-	4
Pacific Copper	26	-	7
Westfield Minerals	93	-	7
Whim Creek	80	-	5

Concern over rising export prices

Optimistic survey by CBI forecasts investment revival

BY ADRIAN HAMILTON

British exporters are beginning to express concern about the relative price of their goods in foreign markets, according to the latest Confederation of British Industry quarterly survey of industrial trends.

The concern is expressed in a survey which is generally optimistic about the recent improvement in business confidence, the development of a substantial investment revival by manufacturing industry, and the continuation of a steady if still gradual, improvement in industrial output.

Worries about export price competitiveness is still far from widespread throughout industry, tending to appear most strongly among manufacturers in price-sensitive markets such as motor vehicles, plastics, textiles and shipbuilding.

But its re-emergence as a potential obstacle to growth in a number of major industries coming after a year in which the falling pound had seemed to remove this constraint on foreign sales is clearly a disturbing feature for both Government and industry.

It must also pose a considerable policy dilemma, in that the Government is anxious to promote a sustained export-led growth at the same time as reducing the rate of inflation.

The survey, along with recent statistics on wholesale prices, shows that costs remain a central

Details of survey Page 11
Editorial comment Page 16

Pay restraint extension comes under union fire

BY ROY ROGERS, LABOUR CORRESPONDENT

IN MOVES clearly designed to influence forthcoming pay policy negotiations between the TUC and the Government, leaders of Nottinghamshire miners, 160,000 busmen and 50,000 Ford motor workers yesterday announced their opposition to any further period of rigid wage restraint.

Delegates representing the 34,000 traditionally moderate Notts miners voted to urge the National Union of Mineworkers annual conference in January to seek £135 a week for coal face workers—£35 a week more than the present target and double the existing 587 faceworkers' rate.

At the same time, it was learned that busmen's leaders have drawn up a motion for the Transport and General Workers' Union's June conference opposing any extension of the social contract and demanding a return to free collective bargaining.

Ford union conveners, meanwhile, announced yesterday that they were convinced that there was no support for the continuation of pay restraint now that the social contract had "dismally failed".

They have called a meeting of several hundred shop stewards from all Ford's U.K. plants who will be asked to support a claim for pay increases of up to 40 per cent to give parity with Ford's European workers, and a five-hour cut in the working week.

A similar demand was lodged for the Ford pay claim last October and by drawing up the Production of Leyland Mini and Jaguar ranges was brought to a standstill yesterday because of the strike by 25 men at the company's Castle Bromwich body plant who want to be made redundant. Page 10

Firms seek Morpeth changes

BY MICHAEL LAFFERTY, CITY STAFF

A NUMBER of the largest accounting firms want extensive modifications to be made to the new current cost accounting (CCA) system proposed by Mr. Douglas Morpeth's London Accounting Steering Group. The Government has said it supports the Morpeth approach which is now open for a six-month discussion period.

The leading critics in the accountancy profession include such influential names as Deloitte, Price Waterhouse, Whimney Murray, and Coopers and Lybrand. But several other firms as well, including Peat Marwick Mitchell and Arthur Young McClelland Moores, want significant changes in the Morpeth proposals.

The principal bone of contention is the sheer complexity of the Morpeth approach which sets out, in a document known as ED 18, to present a comprehensive reform of the present accounting methods. But the accounting firms, who earn most of their fees from auditing, are also very concerned about the degree of subjectivity which the new system would involve.

Mr. Hugh Patterson, Whimney Murray's senior partner, describes ED 18 as a document "too quickly" prepared. The proposals contain "many anomalies, inconsistencies and impracticalities and give the impression of having been inadequately researched." He thinks that the Morpeth group should have concentrated on the few major areas in which existing accounts are most misleading, by adjusting for the cost of sales, depreciation and working capital. Initially, the adjustments should be limited to the profit and loss account, he declares.

At Price Waterhouse, Mr. Graham Stacey, the firm's technical partner, takes a broadly similar view. He believes that ED 18 should be simplified by putting matters such as leasing, deferred tax and goodwill into separate accounting standards for later issue.

TUC call for £2bn. reflation in Budget

By Roy Rogers, Labour Correspondent

A BLUEPRINT for a further period of wage restraint in return for a reflationary Budget boost of £2bn. including tax adjustments, improved pensions and other benefits, will be discussed by TUC leaders today.

Drawn up by the economic department, the TUC's Budget proposals may well attract criticism when they are other sections of the TUC's annual economic review are considered by the key economic committee this morning.

Criticism is expected from some Left-wing members who may argue that the proposals appear to accept in principle the Chancellor's offer of linking pay restraint to tax concessions while not making a firm enough stand against rising prices and unemployment.

In the final section of the review, circulated to committee members yesterday, the TUC urges the £2bn. reflation to increase the gross domestic product by 5.5 per cent in 1978 and a similar amount in 1979 and move the economy on to what it calls a "growth path."

The TUC estimates that the effect of the suggested reflation would be less than £2bn. because employment creation measures also suggested would reduce unemployment and lead to a cut in the public sector borrowing requirement. It also maintains that the actual PSBR will be about £1bn. below the Treasury's original estimates any way.

Mortgages

On tax adjustments the review calls for a £1.7bn. reduction in income-tax, by way of increased personal allowances and the introduction of a new 25 per cent lower rate of tax. It adds that £200m. of this could be clawed back by limiting mortgage relief and other expenditure-based allowances to the new basic rate.

It is suggested that pensions be increased by £4 a week for a couple and £2.50 for a single person provided this is not less than entitlements under the Social Security Act.

Other measures urged on the Chancellor include the extension to the end of the year of the Temporary Employment Subsidy (at a cost of £70m.); £100m. to set up a job expansion subsidy scheme an additional £80m. for the job creation programme; £5m. for extra training Services Agency courses and a further £40m. for retraining.

On unemployment the TUC has abandoned its earlier target of seeking a reduction to 600,000 by 1978 as unrealistic. It favours the Government target of 700,000 although it acknowledges that this is not now attainable before 1980, a year later than the Government's previous optimistic schedule.

Carter offers Russia deal on missiles

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, Feb. 8.

PRESIDENT Jimmy Carter said today he was prepared to enter into a strategic arms limitation agreement with the Soviet Union that excluded the controversial Russian Intercontinental Ballistic Missile (ICBM) and American cruise missile. These could be encompassed in a later SALT III pact, he added.

He also urged the Soviet Union to cease mobile deployment of its limited-range SS-20 missile. If done, "that would be a very important point for us to join them in mutual agreement," and could mean that the U.S. would not have to engage in the expensive development of its own mobile missile capability.

His first televised Press conference this afternoon was largely devoted to a confident and detailed exposition of his attitudes towards military dealings with the Soviet Union.

But he did refer directly to what he described as "the incarceration" of Alexander Ginzburg, the Soviet dissident, his first personal public pronouncement on the matter. But the President added: "I think that either the Soviet Union or we could destroy a major part of the other nation if a major attack was made," with losses in the 50m-100m. people range.

A threat of this kind of holocaust is what makes it imperative that we keep adequate deterrent capabilities." Later, referring to any agreement limiting strategic arms development, he stressed "You've got to be sure the overall balance of deterrent is not disturbed."

Argument

Mr. Carter even brought in the People's Republic of China to back up his argument that the nuclear arms race must cease.

He said he had been told earlier today by Mr. Huang Chen, head of the Chinese diplomatic mission in Washington, that "the goal of the Chinese people is to reduce dependence on nuclear arms to zero."

If the U.S. and Russia could demonstrate their ability to control the proliferation of nuclear weapons, "we can go to other countries" (he mentioned several in Europe, including Britain) to find ways of reducing their dependence.

On other matters, Mr. Carter said he was reconsidering President Ford's directive that the U.S. sell the highly destructive "conclusion" bombs to Israel. These had never received the necessary State and Defence Department authorisations, he explained.

On the economic front he was at pains to stress the co-operation he had sought from the Congress in the drawing up of his economic stimulus package. He described his plan as "well balanced and well considered" and doubted that the Congress would make unacceptable amendments to it.

£ in New York

	Feb. 8	Previous
Spot	\$1.785 1/8	\$1.785 7/8
1 month	1.77 1/4	1.77 1/4
3 months	1.76 3/4	1.76 3/4
6 months	1.76 1/2	1.76 1/2



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LOMBARD

Capitalism and the Soviets

BY SAMUEL BRITTON

THE GREATEST intellectual blow to Marxism was the apparent post-war success of the Keynesian economics in reviving capitalism. For nearly 30 years high employment levels were combined in the West with moderate and reasonably steady rates of inflation, rising living standards and improving social services.

The view that one could spend one's way to target levels of employment was decreed both in Moscow and Chicago. One side spoke of the "reserve army of the unemployed"; the other of the "natural rate of unemployment."

Vindicated

Unfortunately the critics appear to have been largely vindicated by events. The Keynesian synthesis has disintegrated amidst rising levels of both inflation and unemployment, as well as a check to real growth. Those establishment personalities who still argue for it can do so only by supplementing post-war management techniques (which in itself was quite compatible with market economics), with a whole garbage bag of measures such as direct interference with pay, prices and profits, bureaucratic attempts to outguess the market, and the erection of special privileges for the trade union movement, previously unknown to the law.

Naturally this renewed crisis of capitalism has been seized on by Soviet ideologists with unconcealed delight. Their pronouncements are documented in a work by Russell Lewis for the Institute for the Study of Conflict, entitled "The Survival of the Capitalist System. Mr. Lewis has little difficulty in demonstrating the greater prosperity of the

West taken as a whole to any known Communist system (the far greater productivity of the permitted small holdings in the Soviet Union than the large and mechanised collective form speaks for itself).

Mr. Lewis traces the current Western economic malaise to a combination of the excessive demands made on the political system and monetary disorders - which he regards as the Achilles heel of all non-totalitarian societies. This is reasonable enough; but other parts of his analysis do raise certain questions. There is a great deal of discussion in his study of Soviet attempts to stir up economic discontent for subversive purposes and the unwilling support given to the Soviets by non-Communist Far Left groups.

There is an even broader question raised by Mr. Lewis's work. There is no doubt that free institutions in the sense of the ability to change Government without force, civil liberties and Press freedom are under serious challenge from misguided zealots almost as much as from subversives. Should the counter-attack embody a defence of capitalism, at the risk of alienating all those - from democratic socialists to anti-commercial aesthetes - who dislike the label "Capitalism"? Probably not.

Totalitarian

It would be better to concentrate on clear and comprehensible threats such as the current view of Government as an elective dictatorship, subject to no legal constraints until it is thrown out; the ambition of some unions to further the interests of their members but to abuse their position to interfere with the public mails, stop pay beds and so on; the doctrine of "irreversible changes" to be brought about by the ruling faction of the prevailing party.

RACING BY DOMINIC WIGAN

Friendly Builder above average

RUSHMERE, Rusbhall, Friendly Builder, St. Torbay gave his half the field for today's £1,600 Chichester Hurdle at Fontwell, and Sussex racegoers seem sure to see an interesting race for this two mile one furling event.

- FONTWELL 1.30-Cantill 2.00-Red Ambion 2.30-Prince Reynard 3.00-Friendly Builder 3.30-Glasgow Express 4.00-Linsky

- HAYDOCK 1.15-Nottingham Enoch 1.45-Nottingham 2.15-Summer Serenade 2.45-Sir Garnet

Another runner in this line-up to have obliged at the last time-up was St. Torbay who made many friends when making a winning debut in a minor event at Southwell ten days before Christmas.

SALEROOM BY ANTONY THORNCROFT

Contest over Indian chief's dress

AN extraordinary £34,000 was paid at Phillips yesterday for a Canadian Miamac Indian chief's costume and accessories. The suit was presented to a British officer, Captain Henry O'Halloran, on the banks of the Miramichie River in Nova Scotia in 1841, when he was made a chief of the tribe. The price was an auction record for a North American Indian dress.



The Indian chief's coat that fetched £34,000

Venise glass at Christie's, where the collection formed in the 19th century by John Malcolm of Poltalloch was disposed of for £78,655 for 40 lots. Zeitz, a Hanover dealer, paid £14,000 for a Latticino goblet and cover - made about 1600 in the south Netherlands or

GARDENS TO-DAY BY ROBIN LANE FOX

And the greatest of these is Charity

WINTER FLOWERS are probably more convenient for winter than gardeners: how some water through the kitchen window above it, but I felt so badly about it that I could not face watering it myself. Yet it is alive, glossy-leaved and flowering sweetly.

The scent of the flowers is the distinction of this plant, so you must be sure to buy the right variety. Discussing this recently with two lady gardeners, who thought that everything was being mismanaged and that the Common Market had caused the price of shrubs to double in two years, I found that they believed that Mahonias no longer smell. They had bought three in a garden centre, choosing them for their length and arrangement of their pointed leaves. When they flowered, they seemed to have lost their scent.

I assume they had bought Mahonia "Charity," as anyone would who judged only from the leaves. These shade into greenish-grey and are longer and more elegant than those of the usual varieties. The "Charity" is a hybrid, said to have originated in Ireland. As is the way with hybrids, it is striking but scentless. Its parents are both very sweet, so the loss is especially annoying. If you want a superb hardy shrub of bold outline and handsome evergreen leaf, able to grow in a shaded north corner (though you must be fair to it, there as anywhere else) I still think Charity is worth your while. It flowers so freely, bearing long racemes of lemon yellow flowers in mid-winter. Be warned: I noticed an old plant of Charity in the Saville Gardens, Windsor, where it has grown well over 10 feet tall and as much across. Perhaps they were among the first to plant Charity and thus have a better idea than most nurserymen of the size which it attains. It has one tall parent, so you might expect it to grow freely.

Whether its sisters Faith and Hope are still on the market I cannot discover: the plans to breed new Mahonias have not yet worked through to the casual trade sources although these shrubs are extremely popular. Faith I think was a paler colour, while Hope won a prize some years ago. But so the Mahonia found itself in a shallow bed, only three inches deep beneath an east-facing wall. It is said to have had some water through the kitchen window above it, but I felt so badly about it that I could not face watering it myself. Yet it is alive, glossy-leaved and flowering sweetly.

Planting

When best to plant it? I would always want it in a house, perhaps in a clump to tie the building to the garden beyond; it lends so well to massing, though outlines of one plant are distinctive. It is not very quick because it is not very quick. By removing top collar of leaves with a pair of secateurs, you can cut it in July. It is not the best way to be parent shrub. Better to be new from the shops, it remains the one unquiescent worthwhile winter shrub contrast to bergonias, a ground which will be the winter monotony of beds, a quickly horizontal which asks to be matched by the pointed vertical lines of Yucca or New Zealand Flax is much too good to be n

Very rare

One word, first, about the small prostrate form of the coniferous Metasequoia which I favoured last week: this can be bought, under the name of Sequoiadendron, from John Scott, the Royal Nurseries, Merriott, Somerset, who list it and will probably still have some stock. I think it is handsome, though it is not for those who like small conifers to be glamorous. It is very rare. The Mahonia, which takes its name from Mr. McMahon, an early American nurseryman, is indispensable: I write about it because I am sure you would like it if you grew it, or grew more of it. It is not one of my "easy" but little-known plants, which require constant supervision by two jobbing gardeners, a game-warden and the county pest officer. I Charity and thus have a better idea than most nurserymen of the size which it attains. It has one tall parent, so you might expect it to grow freely.

Sterling faces a brighter year, says Midland chief

BY JAMES McDONALD

THE WORLD banking community has entered the year in "good shape" Lord Armstrong, chairman of the Midland Bank, said in London yesterday. The failure of domestic loan demand to advance significantly in the U.S. had kept interest rates at relatively low levels, he told the conference on World Banking 1977, organised by the Financial Times in conjunction with investors Chronicle and The Banker.

As a result, banks there and elsewhere had had an opportunity to improve the quality of their asset portfolios. "Earnings have revived and the supply of funds to the Euromarkets has been strong. This year it seems the trend in U.S. interest rates may change, but banks there are well placed to meet a resurgence of domestic loan demand without an undue sacrifice of liquidity."

A new dimension to the loan portfolio structure was the recent growth of commercial bank lending to less developed countries. Between 1973 and 1975 the annual flow of finance required by non-OPEC developing countries to cover their current account deficits and the amortisation of their external debt has risen from \$10bn. to \$40bn. To meet the increase of \$30bn, there has been practically no increase of private direct investment or international bond issues.

It is anticipated that this has been met in three roughly equal parts by official grants and loans, by a change from accumulating reserves to running them down, and by commercial bank lending.

Radio

- 10.30 National. 6.20 Nationwide. 6.45 Holmes and Yoyo. 7.10 The Goodies. 7.40 Rosie. 8.10 Kojak. 8.30 News. 9.25 The Secret War. 10.15 Sporting. 11.05 To-night. 11.45 Weather/Regional News. All Regions as BBC 1 except at the following times:- Wales-8.15-8.25 p.m. Ysgollon. Ffynestri. 4.40 Crystal Tips and Alistair. 4.45-5.00 Lion a Liwyd. 5.55-6.20 Wales To-day. 6.45 Heddiw. 7.10-7.40 Pobol y Cwm.

BBC 2

- 10.35 a.m. Nal Zindagi Naya Jeevan. 11.00 Play School. 5.45 p.m. Open University. 7.00 News on 2 Headlines. 7.05 The Union Studies. 7.30 Newsday. 8.10 Pro-Celebrity Golf. 9.00 One Man and His Dog. 9.30 The Velvet Glove. 10.45 Design (the work of Ralph Steadman). 11.20 Late News on 2. 11.30 Music at Night for lute by Holborne.

LONDON

- 9.30 a.m. Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.30 The Playhouse. 1.20 The Playhouse plus FT inset. 1.50 Today's Post. 1.55 Crown Court. 2.00 Good Afternoon. 2.25 Marcus Welby, M.D. 3.20 News. 4.15 Whose Baby? 4.30 Home. 4.45 Home in the House. 5.15 London Scene. 5.30 Sportscentre. 5.45 News. 6.00 Today. 6.30 Crossroads. 7.00 This is Your Life. 7.30 Coronation Street. 8.00 Wednesday Adventure Film: "The Last Safari" starring Stewart Granger. 10.00 News.

ACROSS 1 Entirely in aid of everybody (3, 3, 3, 5) 10 Class heard players... (5) 11 Who find this part of theatre entrancing (5, 4) 12 Supporter of board that might fold up (7) 13 Square for drawing sanity from crime (7) 14 Old measure copper got his teeth into (5) 16 Make out order for Yorkshire flower by deed (9) 19 Revolution in spirits going to retire (7, 2) 20 Blackguard beheaded animal (5) 22 Torch revealing secrets (7) 25 Puzzles could give me a sign (7) 27 To command a mailboat is part of the drill (5, 4) 28 Loved to go to party given by Mr. Heath (5) 29 Novel way of saying no more members (5, 2, 4)

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FINANCIAL TIMES WORLD BANKING IN 1977 CONFERENCE

Financial Review: VFP Regional News. 5.25 Weather: programme news. 6.00 News. 6.15 Just a Minute. 6.45 The Archers. 7.00 News. 7.25 Nation to Nation. 7.30 Great Pleasure. 7.45 Both More presents his personal choice of programmes. 8.00 News. 8.15 Radio Scotland. 8.30 Weather. 8.45 The World Tonight. 9.05 A Book at Bedtime. 9.20 The Wednesday Film: "The Day After Tomorrow". 9.30 News. 9.45 Today in Parliament. 10.30 News. 10.45 The Archers. 11.00 News. 11.15 The Archers. 11.30 News. 11.45 The Archers. 11.55 News. 12.00 The Archers. 12.15 News. 12.30 The Archers. 12.45 News. 12.55 The Archers. 1.00 News. 1.15 The Archers. 1.30 News. 1.45 The Archers. 1.55 News. 2.00 The Archers. 2.15 News. 2.30 The Archers. 2.45 News. 2.55 The Archers. 3.00 News. 3.15 The Archers. 3.30 News. 3.45 The Archers. 3.55 News. 4.00 The Archers. 4.15 News. 4.30 The Archers. 4.45 News. 4.55 The Archers. 5.00 News. 5.15 The Archers. 5.30 News. 5.45 The Archers. 5.55 News. 6.00 The Archers. 6.15 News. 6.30 The 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EUROPEAN NEWS

Allon attacks EEC trade and aid policy for Israel

MR. YIGAL ALLON, the Israel Foreign Minister, today publicly accused the EEC of running an excessively large trade surplus with his country and of giving insufficient aid, particularly as compared to many Arab states.

Speaking at a ceremony in Brussels marking the signature of a £12.5m. loan protocol with the EEC, Mr. Allon departed from the tradition of diplomatic niceties usually observed at such occasions by complaining that the arrangement was "both very limited in extent and unsatisfactory in its terms."

He said Israel had hoped that the size of the loan, to be made by the European Investment Bank, would have borne some "direct relationship" to its large trade deficit with the EEC.

German Mideast trade mission

BY NICHOLAS COLCHESTER

BONN, Feb. 8

HERR Hans-Dietrich Genscher, the West German Foreign Minister, left today for the Middle East, accompanied by 22 West German bankers and industrialists.

But German and Arab sources alike pointed out that since becoming a member of the United Nations Security Council on January 1, Bonn no longer can avoid playing at least a limited political role in the Middle East conflict.

The German minister told a Syrian newspaper last week that he believes the dialogue now beginning between Europeans and Arabs should aim at long-term economic, technical, social and cultural co-operation.

U.K. pledge never again to employ torture

STRASSBOURG, Feb. 8

THE BRITISH Government today admitted it had used torture techniques on detainees in Northern Ireland, but gave a solemn pledge to the European Court of Human Rights that it would never do so again.

In an effort to persuade the Irish Government to drop its proceedings against Britain, the British Attorney General, Mr. Sir Silkin, told the court that British forces would never again use the so-called "five techniques" of interrogation, about which Ireland had complained.

Spain seeks formula for tacit Communist legality

BY ROGER MATTHEWS

MADRID, Feb. 8

THE HIGHLY sensitive issue of the Communist Party's role in Spain was again in the forefront of political discussions today. The Cabinet, headed by Prime Minister Adolfo Suarez, is understood to have spent most of today's meeting arguing over formulae that would permit the rapid legalisation of most political parties, leaving the position of the Communists less well-defined.

This would affect the other main item of the Cabinet agenda—the resumption of full diplomatic relations with the Soviet Union. While the Cabinet has agreed on the necessity of exchanging ambassadors with Moscow, there is anxiety over extreme right-wing reaction if the door is opened to the ubiquitous Communist Party at the same time.

As a tactical spur to the Cabinet's deliberations, representatives from the French and Italian parties have arrived in Madrid to lay the foundations for a possible Euro-Communist summit in Spain later this month or early next month.

W. German firm on Brazilian N-deal

By Nicholas Colchester

BONN, Feb. 8

A STIFFENING in Bonn's attitude towards the controversial West German nuclear deal with Brazil is discernible in the joint declaration of nuclear experts made at the summit of Franco-German nuclear officials which was published yesterday.

Bonn and Paris declared yesterday they wished to prevent proliferation of nuclear weapons. They knew that this might be a problem for countries like nuclear power for development. So they had "extra opinions about their respective interests in furnishing such technology to the nuclear industry needed for the use of nuclear energy."

Dutch strikes spread

BY MICHAEL VAN OS

AMSTERDAM, Feb. 8

DUTCH strikes spread further today as the national pay dispute threatened to become the biggest Dutch labour dispute since the war. The main Opposition party has secured a special Parliamentary debate to-night on the developments, in which it will call on the Government to intervene.

The third and final round of labour talks at Philips, Holland's largest private employer with more than 60,000 workers, failed early this morning after a 30-day cooling-off period as the dairy industry dispute last week.

The Carter Administration's US objects to the deal because it involves the export of a complete nuclear cycle to Brazil, and thus, claimed, the ability to produce nuclear bombs. Top level diplomatic negotiations on this have been going on for weeks. They will come to the end of the beginning of next week.

Makarios finalises proposals

By Our Own Correspondent

NICOSIA, Feb. 8

PRESIDENT MAKARIOS to be presented over another meeting of the National Council, its advisory body, to put the final touches to the proposal which is going to present to Mr. Denktash, the Turkish Cypriot leader, this week.

Both leaders issued statements today expressing willingness to reach a peaceful settlement. They also remained entrenched in their positions. The Archbishop said that the "provisional" agreement "provided this does not endanger the future of Cyprus as an independent state."

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Nine face \$3bn. rise in oil costs

BY DAVID BUCHAN

LUXEMBOURG, Feb. 8

THE RECENT OPEC oil price rises will add an extra \$3.2bn. to the EEC's oil bill this year and cut economic growth by a third of 1 per cent.



acid test of the Council's will to think and act in concert." But Mr. Brunner chose not to speak on this issue, the subject of prolonged disagreement between the U.K. and France.

Direct elections plan delayed

BY OUR OWN CORRESPONDENT

LUXEMBOURG, Feb. 8

THE EUROPEAN Parliament on next year's planned direct elections.

But Sig. Lorenzo Natali, the Commissioner given special responsibility by Mr. Jenkins for liaising with the Parliament on direct elections, simply took note of today's resolution.

British MPs are to question the Council of Ministers tonight on the progress that individual member countries have made towards setting up the mechanism for direct elections.

Rome clash with unions avoided

BY PAUL BETTS

ROME, Feb. 8

ALTHOUGH Italy's three main trade union confederations decided today against calling a general strike over the Government's latest measures against inflation, a number of wildcat strikes erupted this morning.

The three federations, which earlier threatened a head-on confrontation with the Government, proposed instead a meeting with representatives of all political parties next week.

The unions, however, have reacted even more angrily against the Government's decision to penalise companies which award fringe benefit increases during the current state of emergency.

In Turin, where shop stewards are now negotiating a new collective factory agreement which includes monthly fringe benefits of the order of £10,000, some 12,000 workers went on a wildcat strike against what they called "Government intimidation tactics."

Czech leaders stress unity, lash critics

BY PAUL LENDVAI

VIENNA, Feb. 8

IN A TENSE atmosphere of resumed public attacks on the human rights movement Charter 77, a Soviet Communist Party delegation headed by Mr. Ivan Kapitonov, a senior secretary of the central committee of the party arrived today in Prague.

Mr. Bilak, regarded by most observers as a prominent hard-liner, emphasised that "treacherous attack of subversive elements show that a systematic and relentless struggle must be waged against right-wing opportunism."

Former Foreign Minister Mr. Jiri Hajek and Prof. Jan Patočka, the spokesman of the human rights movement, sent a letter this week to the Czechoslovak parliament protesting against a warning by the State Prosecutor.

One of the greatest living Hungarian writers, Tibor Dery, revealed last night in an interview shown on Vienna television that he had refused to sign a message of solidarity with the Charter 77 human rights movement in Czechoslovakia.

Advertisement for Godfrey Davis Contract Hire, featuring a car and text about vehicle hire services.

Large advertisement for Qantas Australia daily bird, featuring a Qantas plane and promotional text.

AMERICAN NEWS

Canadian jobless at record high in January

OTTAWA, Feb. 8. UNEMPLOYMENT IN CANADA rose to a record high of 8.5 per cent in January...

The federal agency said that the jobless rate last month, after seasonal variations, was 7.5 per cent. That rate is the same as December, but the highest for a January since 1965...

He said that removal of the controls would not be difficult. The real difficulty we have had in the discussions this past week, both labour and the provinces, is that we sought from them a reaction on a number of methods of getting out of control...

NYC granted six months to repay short-term debt

BY JAY PALMER

NEW YORK, Feb. 8.

NEW YORK City this morning won a major victory in its battle to delay being forced to pay off more than \$1bn. of short-term debt when New York State's highest Court of Appeal accepted its plea for more time to find the cash.

Ford backs Carter on Sakharov

BY DAVID BELL

WASHINGTON, Feb. 8.

THE CARTER administration has received some unexpected support for its criticism of Soviet treatment of dissidents from Mr. Gerald Ford, the former President, who now concedes that he wishes he had invited Mr. Alexander Solzhenitsyn to the White House while he was in office.

Cuba talks may be near

BY JUREK MARTIN

WASHINGTON, Feb. 8.

THE U.S. and Cuba could be on the verge of bilateral talks in three areas—hijacking, travel and fishing—as part of the process of normalisation of relations which the new Carter administration is keen to pursue.

Venezuela refuses to indemnify Occidental

By Joseph Mann

CARACAS, Feb. 8.

THE VENEZUELAN Government will not negotiate with Occidental Petroleum of Venezuela over the company's indemnification claims dating back to the nationalisation of all foreign oil companies early last year.

This decision was revealed by Venezuela's Petroleum Minister, Sr. Valentin Hernandez, after it was announced last week that Occidental was planning to sue the government for \$28m. in compensation for oil discoveries made in Lake Maracaibo.

U.S. warned of flood risk

NEW YORK, Feb. 8.

AMERICANS to-day got their first major respite from the coldest winter this century, coupled with a warning of a serious flood risk in the spring.

The National Oceanic and Atmospheric Administration (NOAA) said that melting snow could cause severe flooding if the spring thaw came quickly in March and April.

GUYANA'S FOREIGN POLICY Moving closer to Comecon but staying non-aligned

BY OUR GEORGETOWN CORRESPONDENT

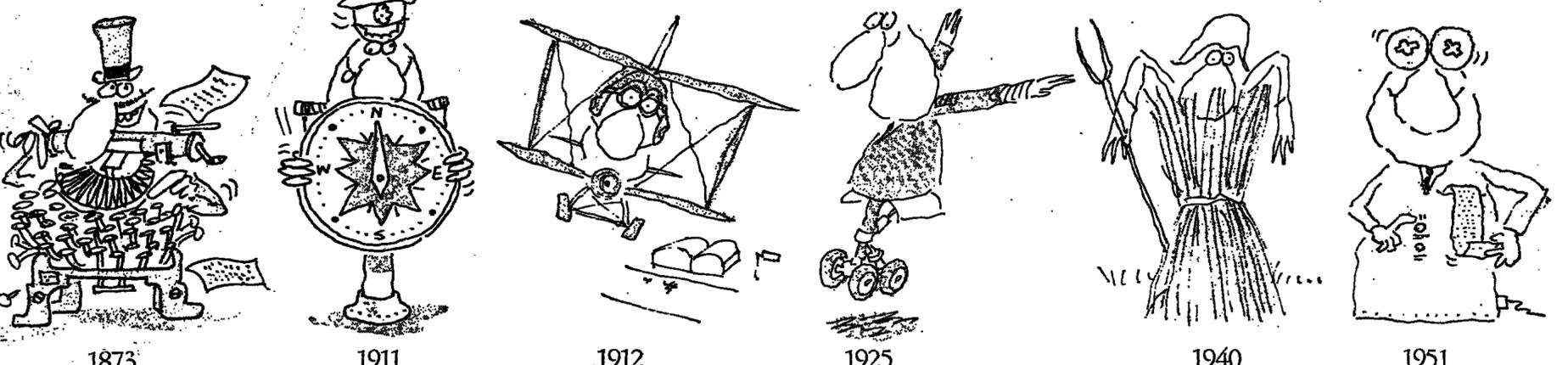
POLITICAL OBSERVERS in Guyana have little doubt that speedy approval will be given to the country's application for a link-up with the Comecon, the Council for Mutual Economic Co-operation.

It is believed that a reply should reach the Guyana Government before mid-year, to be followed by negotiations to establish the exact relationship which should exist.

Domestic considerations may decide against too close an involvement with Comecon—Mr. Burnham has consistently rejected the demands of the Marxist opposition to step into the socialist camp.

Asked whether it meant that Guyana was planning to move further into the socialist camp, he made it a point to state that while the Guyanese government was socialist, Comecon did not establish relations with developing countries necessarily on the basis of ideology.

When Mr. Hoyte presented Guyana's application to the Comecon Executive Committee at its meeting on January 18-19 in Havana, Guyana already had bilateral agreements with several member states.



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Making machines do more, so man can do more.

OVERSEAS NEWS

Tanzania-Kenya border stays shut

By John Worrall
NAIROBI, Feb. 8.
RELATIONS between Kenya and Tanzania worsened to-day as Kenyan government ministers urged the Tanzanian authorities to open their border, which was inexcusably closed at the weekend and restore normal traffic.

But the border remained closed to-day, trapping Kenyan lorries, buses, tour vehicles and private cars on the Tanzanian side. Their Kenyan drivers have been taken into custody. Most of the stranded tourists, their transport impounded, have now been airlifted to Kenya from Kilimanjaro airport.

Late last night, after special arrangements with Tanzania had been made by the British Foreign Office, a British Boeing 747 was diverted from its Johannesburg-Nairobi flight to Kilimanjaro airport to pick up 194 stranded tourists. Among the passengers were 35 Britons, 41 Americans and 15 people of other nationalities.

Accommodation in Nairobi was hurriedly found and a fleet of cars took them into the city. Some 600 tourists who had been doing the mountain circuit at Mount Kilimanjaro from Kenya have now been airlifted to Nairobi by various airlines.

Some Kenyans believe that the Tanzanian government is highly embarrassed by the border closure, which, sources say, was ordered by a junior official. This may well be the apology, if and when it comes. The Tanzanians believe that the nationals, sacked from the grounded East African Airways (EAA), are being harassed in Nairobi, and the border closure and the arrest of Kenyans in Tanzania may be a reprisal. But the most popular theory is that Tanzania is furious over the unilateral grounding by Kenya of the bankrupt EAA fleet at Nairobi.

All Tanzanian EAA employees have been told to return to Nairobi for an airlift home which may take place to-morrow. So far, no official explanation of the border closure has been received in Nairobi.

One incident which could have been very ugly took place at the border a few days ago. A group of tourist vehicles was ordered to stop, but one driver drove on and was fired at as he tried to escape into Kenya. The tyres of his vehicle were destroyed by gunfire, but neither he nor his tourist passengers were injured.

Congress Party presents a law and order platform

BY DAVID HOUSEGO, ASIA CORRESPONDENT NEW DELHI, Feb. 8.

MRS. GANDHI went out of her way to project an image of collective leadership, when she launched the delayed election manifesto of the Congress Party here to-day.

"Congress has never been a one-person party," she declared, evidently anxious to rebut charges of autocracy which have been the main cause of her sudden loss of support. Her belief, she added, was the same as when she became Prime Minister: "I must be the humble servant of the people."

To reinforce the picture of humility and simplicity, Mrs. Gandhi sat cross-legged on the floor of the rostrum at Congress Party headquarters with her cabinet colleagues and senior party officials around her. She looked more relaxed than in recent public appearances.

The manifesto, the slogan of which has been clumsily translated in English as "Poverty must go, disparity must diminish, and injustice must end," was delayed to allow revision precipitated by the unexpected strength of the Opposition. Noticeably absent from the 20-page document is any reference to the Youth Congress, the vehicle of Mrs. Gandhi's son, Mr. Sanjay Gandhi, who is fast becoming the scapegoat for the excesses of the emergency.

Mrs. Gandhi launched into a tirade that is likely to be at the forefront of her campaign when she declared that India had achieved the stability acknowledged even by critics abroad. Underlying this law-and-order message, she said, was the message that Opposition leaders had, before the declaration of the emergency, incited the armed forces to mutiny and threatened the integrity of the country by stirring violence and communal hatred.

In passages that the Opposition will inevitably throw back in Mrs. Gandhi's face, it says that under the Congress Party "democratic institutions have been built and nurtured." It defends the controversial amendments to the constitution carried through by Mrs. Gandhi as re-establishing harmony between the legislature, the executive and the judiciary, but laments the independence of the judiciary intact.

Courageously, however, the manifesto stands by the family planning programme—the sentiment at sterilisation is likely to lose Congress a lot of votes in northern India. Mrs. Gandhi also reiterated her support for the controversial Delhi slum clearance and resettlement programme, saying these have been praised by foreign observers.

The manifesto records the economic achievements of what is termed the "Indira decade" in India—Mrs. Gandhi has been Prime Minister for 11 years—and concludes with a 12-point economic and social programme designed to appeal to all classes but which shows no change in present Congress policy.

It was reported here that exports of two ball bearings—made by Koyo Seiko and Fuji Koshi—will be subject to a 10 per cent. anti-dumping duty. But neither company could confirm the report. Otherwise, Japanese exports of ball bearings will face a 20 per cent. duty on top of the normal 9 per cent. customs tariff applied at EEC borders.

According to Miti officials, Tokyo was led to believe late last month that no anti-dumping action on ball bearings would be forthcoming from Brussels. The assurance they said came at the conclusion of hearings at the Brussels talks, that "the EEC move is based on 'wrong information' about prices in Japan as well as a total disregard of the much lower level of Japanese ball bearing shipments to the Nine EEC countries in the industry."

On prices, it is understood in Tokyo that the EEC Commission used a set of market prices which only apply to a small portion of bearings sold in Japan, and which are about 40 per cent. below the regular prices charged by the leading manufacturers (who are also the leading exporters).

The industry's argument about export shipments is more tangle, though not wholly convincing. Japanese exports to the EEC of ball and roller bearings and related parts jumped 34 per cent. in 1974, then 39 per cent. in 1975 to stand at a record \$114m. for the year. But last year, according to Japanese customs clearance figures, exports to the EEC for metric tons, for instance, generated DM60.2m. in earnings—18 per cent. on the same period in 1976.

On the other hand, in the two other EEC countries where Japanese exports compete with local bearings—France and Britain—sales were up sharply in the first three quarters of 1976. A 23 per cent. increase in tonnage sales to West Germany (to 7,974 tons) was offset by a 10 per cent. drop in sales to France (to 1,274 tons) and a 12 per cent. drop in sales to Britain (to 1,274 tons).

A more detailed breakdown supplied by the Japan Bearing Industry Association shows a drop in exports to Britain between January and November 1976, sources in the industry said.

At a time of sharply reduced demand for stainless steel, Spanish exports to the U.K. have risen sharply, climbing from 450 tonnes in 1972 to nearly 1,500 tonnes last year. With British production last year totalling some 11,500 tonnes, and companies operating substantially below capacity, this clearly represents a highly significant slice of the British market.

During three days of detailed talks and investigations centred on the main Spanish producer of stainless steel, Oleria SA of Bilbao, it was stressed that dumping accusations were related to the difference in price in London.

Yugoslav trade hopes amount to \$8.6m. consist mainly of Yugoslav ship-rolling stock imports—Yugoslav imports were \$78.5m. and exports only \$7.2m. in 1975 in more than halved but 1976 increased slightly to \$81.5m. and imports \$27m.

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WORLD TRADE NEWS

Japan reacts angrily against EEC over imposition of duty on bearings

BY DOUGLAS RAMSEY

TOKYO reacted angrily to-day to the 20 per cent. anti-dumping duty, announced last night in Brussels, on Japanese ball bearing exports to the European Economic Community.

Mr. Tatsu Tanaka, the Minister for International Trade and Industry, indicated that Japan will appeal the anti-dumping penalties before the General Agreement on Tariffs and Trade (GATT) in Geneva later this month unless the EEC retracts its decision before then.

The announcement came as something of a shock to MITI and the ball bearing industry. Both take the view that the decision by the EEC Commission to impose anti-dumping penalties—for how ever short a time—was essentially a political one.

MITI considers the EEC move as a kind of show of force, commented the newspaper Asahi Shimbun in a front-page editorial. It has been protesting bilateral talks on shipbuilding and farm products. (The shipbuilding talks resumed at OECD headquarters in Paris on Tuesday.)

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The main subcontractors are Dewey Engineers for metalwork, International Politer Engineering, and Shin Etsu of Japan. The project is one of the largest of its kind ever carried out and at the peak a total of 1,600 British workers will be employed on site.

Petrocarbon said the skill with which John Laing had tackled the civil engineering contracts was a key factor in selecting them for the larger mechanical construction deal.

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This has undoubtedly been a major disappointment to British trade officials who were hoping for a distinct advance in the U.K.'s market share of finished products imports. Instead, the main growth has been in areas of industrial raw materials and industrial semi-manufactures.

Figures, painstakingly assembled by British embassy commercial officials from the Federal Statistical Office in Wiesbaden, showed an overall improvement in U.K. exports of 23.1 per cent. in the first 10 months. At the same time Britain's share of the total West German import total went up by 0.1 per cent. to 3.8 per cent.

The steepest rate of increase, however, came in the industrial raw materials sector where exports went up by 87.4 per cent. to DM331.1m. (£79.5m.) and the share of the imports market rose from 0.7 per cent. to 1.1 per cent. in the industrial semi-manufactures sector, totalled DM1.18bn. (£294.8m.) and the market share went up from 4 per cent. to 4.2 per cent.

In contrast, exports of British wholly-manufactured goods to West Germany went up from DM4.03bn. (£1.17bn.) while the market share remained at an unchanged 5.3 per cent.

Earlier last year, U.K. trade officials had expressed hopes that Britain's share of the West German finished products market would show a small but satisfactory increase. Although there are still two months of the year left to report, it seems unlikely that this target will be achieved.

There are several ways the airfares may change this year. One is to faster and fool-proof methods in its place an "IATA Unit of Value" based on the Special Compensatory for any sudden Drawing Right of the Inter-decline in its value.

Stall on new technology FURTHER MAJOR orders by signed an agreement to buy two U.S. airlines, Delta and Boeing 727s, with delivery starting in 1978, to replace DC-9s in its fleet.

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GANDHI REGIME'S URBAN POLICIES

Blinded by arrogance

BY DAVID HOUSEGO IN NEW DELHI

THE INCIDENT of the Turkman Gate has become part of the mythology of Mrs. Gandhi's emergency rule in India—a reference point about which arguments stir in faint echo of the type of passions aroused in the 1920s by the far more serious "Amritsar Massacre."

On April 19, 1976, police and demonstrators clashed as bulldozers knocked down slum dwellings beside the Turkman Gate near the Jama Masjid (the Friday Mosque) in the heart of the Muslim quarter of Old Delhi. Officials say five people died. Opposition leaders say between 60 and 300 were killed in the firing. The Government account is probably closer to the truth: popular belief carries more political weight.

The riot was sparked off by two issues that are already prominent in the election campaign in Delhi, and in much of northern India, as well: sterilisation, and rapid slum clearance.

Since April 1 last year over 6m. Indians have been sterilised, which is 50 per cent. more than the Government had planned. It is an exercise in population control, whatever one thinks of the ethics of it, unsurpassed in the world. In the southern provinces it has passed off smoothly. But in the North, where most Muslims live, and religious leaders have preached against sterilisation, there has been resentment and some rioting.

In the area around the Friday Mosque over 13,000 vasectomies were carried out between April and October, more than in any other district in India. The family planning campaign started here," says Miss Rukhsana Sultana who has been in charge of the sterilisation drive in Delhi though she holds no official post. A Muslim from an aristocratic family, a socialite and friend of Mr. Sanjay Gandhi, excitable and energetic if simplistic in her ideas, she entered social work only after declaration of the emergency. Now the backlash against Mr. Gandhi has enveloped her as well.

She has probably more power than any city official. She claims she has financed rickshaw drivers to buy their own rickshaws, cleared squatters from the streets, had exorbitant rents rescinded, provided loans for new housing away from the city centre, and has had old houses pulled down. No Minister has entered this area for years, she says, pointing to houses where people live 20 to a room. "All this work would have been impossible without Sanjay's support," she adds. Since she is opposed by religious leaders and established politicians, by prejudice and the fear of the poor at change, she nonetheless believed she had won many of them over to her side. The massive crowd that packed the Opposition meeting at the nearby Ramliya Gardens on Sunday proved this a myth.

Hostility to her work has focussed on the sterilisation programme. "The police picked up people indiscriminately, took them to Dujana house (Miss Sultana's headquarters) and forcibly sterilised them," an opposition leader says. "All lies," Miss Sultana counters heatedly. What evidence they certainly bear out that doctors have not performed forced sterilisations. Equally it is impossible to dismiss the numerous accounts of houses denied or salaries and promotion held back from those without a necessary certificate or evidence that they have recruited a volunteer for sterilisation that is pressure, whether legitimate or not.

The Delhi "resettlement" programme has involved shifting some 700,000 people from the city centre to estates five to 15 miles away. In some cases it has meant creating new slums in the place of old ones. In others there is a relief at being out of the squalor of the tenement buildings. Miss Sultana claims to have been a part of the bulldozing down of the slums beside the Turkman Gate. Hastily done with a mixture of hamfistedness and callousness, it was the action of a regime in which well-meant intentions were blinded by arrogance.

The opposition Janata Party has chosen Mr. Sekander Bakshi, a well-known local figure, to contest the constituency of Chandra Chowk which includes both the Friday Mosque area and a large Hindu quarter. It will be the most sharply contested fight in the city. Not only the Government but also the Janata Party are expected to be involved in the election. The use of Union Carbide's gas plasma process is thought to be a major factor in winning the order, as it is highly regarded by Russian engineers.

The first plant, also for high density polyethylene production, has progressed on schedule since commissioning in 1975. Construction has already started. The new plant is the fifth of its type using the Union Carbide process to be supplied by CJB, the others being in Sweden, Czechoslovakia and Australia. It is also the 18th major plant contract awarded by Shell Union. In 16 years, valued at present day prices at a total of about £300m.

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John Brown wins £50m. Soviet deal

By Lorne Barling

JOHN BROWN Contractors has won a contract to build a second 200,000-tonne-per-year power plant in the Soviet Union. The plants will be the biggest in the world and the latest order is worth £50m.

CJB will carry out engineering, procurement, supervision of construction and commissioning of the new plant, to be built at Kazan. It is expected to be in stream in 1981.

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U.K. in Spanish steel probe

BY ROGER MATTHEWS MADRID, Feb. 8.

A TEAM from the Department of Trade has now virtually completed its investigations in Spain into accusations by British steel producers that certain products were being "dumped" on the U.K. market. Indications are that unless there is an agreement between the British and Spanish companies the 10 per cent. provisional charge imposed on Spanish stainless steel last October 25 will be confirmed as a permanent duty.

However, this 10 per cent. figure is likely to be an average of the five different types of stainless steel imported in large quantities being imposed on particular items.

When the issue was first raised in Britain in the spring of last year the domestic producers had asked for a 25 per cent. duty, but after several days of intensive talks here it is considered that an average of 10 per cent., as provisionally imposed, may be about the correct figure. Spanish reaction to accusations of "dumping" was initially hostile but there are now signs that the companies involved have understood that they are not being particularly discriminated against.

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Yugoslav trade hopes

BY A. LEBL BELGRADE, Feb. 8.

THE ESTABLISHMENT of diplomatic relations between Yugoslavia and Spain earlier this year will have positive effects on trade, it is felt in Belgrade.

Despite the lack of such relations commercial links existed and in 1974 trade amounted to \$8.6m. consist mainly of Yugoslav ship-rolling stock imports—Yugoslav imports were \$78.5m. and exports only \$7.2m. in 1975 in more than halved but 1976 increased slightly to \$81.5m. and imports \$27m.

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BY GUY HAWTIN FRANKFURT, Feb. 8.

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ON OTHER PAGES

International Company News: General Motors results... 21/22 Farming and Raw Materials: Tungsten price rise continues... U.S. honey import curb plan... 27

Rhodesia wants trial of guerillas

SALISBURY, Feb. 8. THE RHODESIAN Government has ordered security forces to try to capture alive the killers of the seven Roman Catholic missionaries murdered on Sunday night according to informed sources here.

The Government, they say, wants to bring the murderers to trial, to disprove nationalist allegations that the Rhodesian army's Selous Scouts was responsible for the killings. Police said that 111 spent shells from Soviet-made automatic weapons were found at the scene of the massacre, St. Paul's Mission, 35 miles east of here. They said they believed the killers belonged to Mr. Robert Mugabe's Zimbabwe African National Union (ZANU). Reuter.

UPI adds from Francistown, Botswana: A Swazi charter plane yesterday flew 57 black Rhodesian schoolchildren from a refugee camp here to Zambia, where they will receive guerrilla training to fight against the Smith regime.

ASEAN bilateral defence moves urged

BY WONG SULONG KUALA LUMPUR, Feb. 8.

GENERAL PANGGABEAN, Indonesian Defence Minister, has urged bilateral defence arrangements among countries in the Association of South-east Asian Nations (ASEAN) to protect their security.

Addressing a meeting here of the Indonesian General Border Committee, he said the committee was "a successful prototype" for defence arrangements which should be adopted among other Asian countries.

Australian ship union threat

By Kenneth Randall CANBERRA, Feb. 8.

THE shipbuilding committee of the Australian Council of Trade Unions has recommended a campaign of industrial action by maritime unions which could seriously disrupt shipping operations at all major Australian ports.

The country's Transport Minister, Mr. Peter Nixon, to-day attacked the recommendation as "judicious" and a further threat to employment in Australia.

China turns away from people's war

BY COLINA MacDOUGALL

THE PEKING leadership is pressing ahead with a new defence policy amid apparent demands from some of the military that defence spending be further increased. The concept of People's War is being quietly laid aside in favour of modernisation.

This is indicated by a recent Peking Radio broadcast on the relationship between defence and economic construction, and the concurrent holding of no less than four conferences on defence. Two of the meetings dealt with air defence and work on aircraft and aerodynamic missiles. The other two were called by the army's science and technology commission for defence, and dealt with planning, research and production.

Finnish paper sales 'extremely unsatisfactory'

By Lance Keyworth HELSINKI, Feb. 8.

FINNPAAP—the Finnish Paper Mills Association—which markets almost all the paper produced by its 27 member mills, increased its exports in fiscal 1976 by 13 per cent. to 2.9m. tons. The value increase was nearly 9 per cent. to F. Mk. 3,685m. (£5.74m. at the December 1976 exchange rate).

According to the managing director of FINNPAAP, Mr. Jorma Keino, the extremely unsatisfactory increase in the cost increase in the paper industry in the past two years. The financial year was marked by periodic mill shut-downs and production cuts. Capacity utilisation averaged 72.73 per cent. up from 67.73 per cent. in 1975. One of the worst years in the history of the Finnish paper industry in which exports contracted by 27 per cent.

IATA may drop sterling

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

The future of sterling as a base currency for the calculation of air fares in the Eastern Hemisphere is one of the main topics of discussion at a meeting of the airline-members of the International Air Transport Association which began in Cannes yesterday.

The meeting, which could last as long as three weeks, will be considering how to overcome the difficulties caused to the airlines in recent months by the depreciation of sterling.

Stall on new technology

BY OUR AEROSPACE CORRESPONDENT

FURTHER MAJOR orders by signed an agreement to buy two U.S. airlines, Delta and Boeing 727s, with delivery starting in 1978, to replace DC-9s in its fleet.

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مكتبات الامم المتحدة

HOME NEWS

EEC gains from U.K. car market at Japan's expense

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THERE HAS been a marked lift in the origins of imported cars coming into the U.K. during the last year. As a result Britain's EEC partners have gained substantially at the expense of the Japanese and their importers.

According to the latest figures from the Society of Motor Manufacturers and Traders on yesterday, EEC imports accounted for 50 per cent of total sales last month, compared with 20.7 per cent in the same month last year.

This increase covers virtually the substantial rise in imports that has occurred during the last 12 months, and which brought January's imports to a record 43.5 per cent, against 36 per cent a year before.

By contrast, the Japanese market share declined slightly from 8.5 per cent to 7.5 per cent. The Comecon countries lifted their share marginally from 1.4 per cent to 1.5 per cent, while the EFTA are moved up from 1.9 to 2 per cent.

The figures underline the growing level of integration within the EEC car market. A substantial number of the cars coming into Britain from the continent comes from the associated European plants of Ford, Chrysler and Vauxhall.

and during this year these will be supplemented by Leyland's Allegro model which is to have its assembly concentrated in Belgium.

In addition to the flow of built-up cars, there is also an increasing interchange of components between Britain and the Continent, which is further blurring the definition of an imported car.

For example, slightly more than 50 per cent of the Ford Fiesta is made from foreign components, although it counts as a domestically produced car because it is assembled in Britain.

The best selling car in January was the Ford Cortina (11,896 registrations), followed by the Escort (9,601) and the Leyland Mini (6,261).

Three imports—the Fiat 127, Ford Granada and Vauxhall Cavalier—found their way into the top ten list.

Fiat's inclusion indicates the effects of its recent aggressive selling policy on the 127, and the rejuvenation which has occurred in the company's performance in Britain in recent months.

Sales of Datsun, last year's leading importer, fell sharply from 7,006 units to 4,583.

*These figures include cars from the companies' Continental associates which are not included in the total British figure.

†This figure includes imports from small sources, including cars from the Continental associates of the British companies.

Table with columns: U.K. CAR REGISTRATIONS, 1977, 1976, %.

Rodgers will lead Labour moderates

BY RICHARD EVANS, LOBBY EDITOR

MR. WILLIAM RODGERS, Secretary for Transport, is to head a new Labour Party pressure group of moderates in a move that could have a significant bearing on the future leadership of the party.

The new group, to be launched at a meeting in London on February 19, will campaign to halt the party's swing to the Left.

The choice of Mr. Rodgers to chair the initial meeting is significant. As well as being a leading Labour intellectual, he is a brilliant political propagandist who organised the Campaign for Democratic Socialism in the late 1950s when Hugh Gaitskill led the fight back against the Left.

He is regarded by a group of moderate Labour MPs as a elect more Left-wingers than potential party leader who would possibly carry the moderates' banner more aggressively than other potential candidates.

He is not averse to political in-fighting and the new organisation, if it gets off the ground, could provide him with an invaluable platform and launching pad.

The intention is to set up a broadly based movement founded on the Manifesto Group in Parliament and on moderate Labour councillors and activists throughout the country.

It is seen as part of a growing campaign by party moderates to combat Left-wing pressures both on the National Executive Committee and at grass-roots level.

The new group will aim to attract a wide spectrum of party opinion in the centre as well as on the Right-wing, in contrast to the Social Democratic Alliance, backed by Mr. Reg Prentice, which is widely regarded in the Labour movement as being too extremist.

One of the major aims will be to organise a nucleus of moderate opinion in the constituency in order to prevent takeovers by small groups of Left-wingers.

Another objective will be to campaign for moderate candidates in the elections for the Labour Party's NEC at the autumn party conference.

At present both the constituency section and the women's section are elect more Left-wingers than moderates.

The organisation sub-committee of the Labour Party's National Executive has given party permission to proceed with the selection of a Parliamentary candidate to replace Mr. Prentice.

The decision virtually ends Mr. Prentice's chances, it has to be confirmed by the NEC, but this is expected to be a formality.

Level of reserves will limit operation of safety-net

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE \$3bn. international safety-net facility to protect Britain against withdrawals of official sterling balances became operative yesterday, but will not apply if the U.K. reserves are above a specified level.

This emerged following a formal statement by the Bank for International Settlements, after the central bank governors' meeting in Basle, that the 11 nations taking part in the safety-net had completed all negotiations.

Although no official comment was made yesterday on the operation of the safety-net, it is understood that an important further criterion has been agreed in addition to those announced last month.

The stand-by facility will not operate if U.K. official reserves are above a certain pre-ordained level, though not officially disclosed.

This applies even if there has been a net reduction in official sterling balances in the previous month below the December 1976 level (other than

caused by the issue of the new foreign currency bonds.

While the stand-by facility cannot be used if the reserves are above a certain point, the right to make a drawing is not permanently forfeited and can be carried forward until the reserves are lower.

The insertion of this criterion comes after the \$3.07bn. rise in the U.K. official reserves to \$7.19bn. during January and reflects general concern to avoid any rebuilding of the official balances.

The Treasury and the Bank of England are expected to complete work within the next few days on details of the medium-term foreign currency bonds, which are to be offered to official holders, quite separately from the safety-net.

The bonds will be repayable over seven or eight years and have roughly a 75 per cent U.S. dollar content.

Mr. Gordon Richardson, Governor of the Bank of England, and Mr. Christopher McMahon, executive director on the overseas side, will be visiting Saudi Arabia and Kuwait—both permanent official holders—for seven days from the end of next week to discuss among other matters Britain's plans for an orderly reduction in the balances, and the new bonds.

A statement on the bonds is possible towards the end of the month, while Mr. Denis Healey, Chancellor of the Exchequer, may say something about the details of the safety-net later this week.

The original countries participating in the safety-net were the U.S., West Germany, Japan, Switzerland, Sweden, Canada, the Netherlands, and Belgium.

These have now been joined by Austria, Norway and Denmark, which have each offered to provide up to \$300m.

Scrap demand is no better

THERE ARE no signs of an improvement in the ferrous scrap market, where prices slumped to a record low in the second half of last year.

The \$400m. a year industry, which is the biggest single source of supply of raw materials

for the British steel industry, believes that the price for good steel scrap of about £29 a tonne, lower than 35 per cent, less than last spring, cannot fall any further.

But it is not optimistic about any early improvement in scrap consumption by 25 per cent. Stocks of scrap stood at 2m. tonnes at the end of September and have increased further since then.

U.K. car output up only 3% last year

BY TERRY DODSWORTH

EXPORTS by Ford, British Leyland and Vauxhall to boost car production last year met with qualified success, but the overall U.K. impact was substantially reduced by a 37 per cent output slump at Chrysler U.K.

As a result, the total number of cars turned out went up by only 3 per cent on a weekly average basis of calculation—to 159 units a week as against 155 in 1976, according to the Society of Motor Manufacturers and Traders figures issued yesterday.

Ford produced the biggest increase in production last year, with an increase of 14 per cent to 7,231 weekly units against 6,319 the previous year.

Leyland went up by 11 per cent to 12,979 weekly units compared with 11,637 in 1976, while Vauxhall increased output by 8.5 per cent to 7,231 units against 6,670.

Chrysler output collapsed from 38 weekly units to 2,728. In Chrysler's case the decline followed the Government rescue package, which involved a considerable restructuring of manufacturing facilities last year.

The company claims that it produced more cars than were envisaged in the Government package.

This year it is believed that Leyland has set a target closer to 25,000 cars a week for its factories, and during January production improved sharply.

Further evidence of this is shown in output, which has been affected other companies.

came in separate figures from the Department of Industry yesterday.

These indicated that January car output went up by 28 per cent on the same month last year to 123,000 units. On a seasonally adjusted basis, the Department statistics show a 15 per cent improvement on the monthly average of production last year.

Commercial vehicle output also improved. It was up by 32 per cent to 34,000 units in January, giving a 24 per cent increase on a seasonally adjusted basis over the monthly average in 1976.

The figures show that Vauxhall is moving towards a fuller use of its U.K. facilities, which are substantially under-utilised at present.

But they also indicate that a great deal of the company's improvement in the U.K. market last year was due to its decision to begin importing the Cavalier from its associate plants in Belgium to sell under a Vauxhall badge.

The company raised its sales in Britain from 87,949 units to 114,604 last year—a rise of 30.3 per cent.

In the commercial vehicle field, only Ford among the leading manufacturers raised its output last year, with an increase from 2,483 weekly units to 2,672. Among the smaller manufacturers, Dennis, ERF, Foden and Seddon Atkinson all registered an improvement in 1976.

U.K. CAR PRODUCTION, 1976

These figures give weekly average production for the whole year

Table with columns: Cars, Commercial vehicles, Jan-Dec 1976, Jan-Dec 1975.

National Airlines makes flying to the USA via Miami even more attractive.

Sun King Budget Fares

Table with columns: DESTINATION, REGULAR ECONOMY FARE, 14 TO 21 DAY EXCURSION FARE, 22 TO 45 DAY EXCURSION FARE, 22 TO 45 DAY SUN KING BUDGET FARE.

Subject to governments' approval and to change without notice.



The attractions of flying via Miami are obvious. You exchange cold, crowded New York for the warmth, blue skies and sun-kissed girls of Florida. Now you can add something else to all these attractions. National Airlines Sun King Budget Fares to destinations throughout the USA. Examples are shown in the above panel.

The Sun King Budget Fares shown are effective from 1st April and are valid for a round trip of 22 to 45 days, with a surcharge of £6.00 on all weekend flights. All we ask is that you make payment at least 50 days in advance of departure, and within 7 days of making your reservation.

Whatever your travel plans, National Airlines have fares to suit you. National flies non-stop from London Heathrow to Miami so call your Travel Agent now for full details. Say "National Airlines, take me, I'm yours" and save pounds on your fare. The kind of big savings that will mean more spending money, and an even more enjoyable trip.

National Airlines "Take me, I'm yours." Contact your travel agent or National Airlines 51 Piccadilly, London W1V 9HF. 01-629 8272. National Airlines Inc. is incorporated in the State of Florida, U.S.A.

Aircraft plans make rapid progress

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PROGRESS is being made on preliminary plans for important new RAF combat aircraft for service in the late 1980s.

Present known only as Air Target 403, the concept is a tactical fighter that will combine vertical take-off and landing with supersonic speeds at low heights.

Several hundred such aircraft eventually be required to develop and produce this reason alone, it is regarded as the main military aircraft venture for the U.K. in the next 20 years of this century.

service by the late 1980s, production will have to begin in the early 1980s. All the preparatory work on design and industrial collaboration with Continental countries will therefore have to be completed by the end of this decade.

The aircraft was originally conceived as a replacement for the Jaguar low-level strike aircraft, and the Harrier vertical take-off battlefield support aircraft, but the growth in the number of Soviet conventional tactical aircraft, and their improved performance, has led to an upgrading of the AST-403 requirement, so that it is now a much more complex aircraft than originally planned.

Thus, it has tested to the utmost the abilities of the main U.K. military aircraft makers, British Aircraft Corporation and Hawker Siddeley Aviation, to meet all the RAF's ideas in one design.

BAC is understood to have consulted its European partner Panavia (which is building the Tornado multi-role combat aircraft) on the AST-403, while Hawker Siddeley has been discussing it with other European companies.

At a basic price of between £3m. and £50m. per aircraft, including development and production costs, the total programme could cost upwards of £4bn.

HOME NEWS

Japan given nuclear fuel contract assurance

By David Fishlock, Science Editor

TOP JAPANESE electricity industry officials led by Mr. N. Tanaka, who are in London this week to discuss the £500m. nuclear contract they hope to place with Britain, have been assured British Nuclear Fuels could still undertake the contract.

The Japanese delegation had lengthy talks yesterday with Mr. Con Allday, managing director of British Nuclear Fuels, and Mr. Georges Besse, managing director of the French nuclear fuel company Cogema. They met Mr. Peter Shore, the Secretary for the Environment, and Sir John Hill, chairman of the U.K. Atomic Energy Authority and British Nuclear Fuels.

The draft contract with Britain for the reprocessing of 1,636 tonnes of spent nuclear fuel from Japanese power stations was put in jeopardy last December by Mr. Shore's decision to call for a public inquiry of British Nuclear Fuels' plans to build a big oxide reprocessing plant at Windscale, Cumbria.

Under the terms of this draft contract the Japanese were to contribute about 40 per cent. of the value of the contract as a down payment towards the cost of construction of the plant, which would also be needed to treat fuel from Britain's latest nuclear stations.

Government urged to allow incentive deal for miners

By Roy Hodson

THE MINING unions and the National Coal Board will together put pressure on the Government in the next few months to relax the pay policy sufficiently to allow a new productivity deal for Britain's 200,000 miners.

Falling productivity during the last year because of the absence of a workable incentives system is seen by both sides as the greatest threat to the industry's orderly expansion. Deep-mined coal output so far in the financial year April, 1976, to March, 1977, has totalled 36.3m. tonnes. That is a drop of nearly 6 per cent. on the same period for 1975-76, when 91.1m. tonnes was mined.

The question of financial incentives to the miners to check the drop in productivity dominated a Department of Energy meeting yesterday when a new strategy for the coal industry's future was made public. Called "Coal for the Future—Progress Plan for Coal and Prospects to the Year 2000" it is a tripartite group on which the Government, the National Coal Board, and the unions are represented.

The expansion of the industry to perhaps 170m. tonnes production a year by the end of the century depends on the Government's agreeing to an investment of up to £400m. a year into the Coal Board between now and 2000.

But Mr. Anthony Wedgwood Benn, the Energy Secretary, admits in a written introduction to the document that the industry has been producing disappointing results lately. He said yesterday: "It is a situation that the unions and the Board have recognised and are making big efforts to tackle together."

Mr. Joe Gormley, president of the National Union of Mine-workers, and Sir Derek Ezra, chairman of the National Coal Board, sitting on either side of Mr. Benn, were both outspoken in calling for a new pay and productivity policy which would have a positive effect in increasing coal output as new investment proceeded in the industry.

Sir Derek said: "Our short-term problem is that differentials in the mining industry have been squeezed until they no longer provide an incentive." Mr. Gormley said: "Many of us believe that this year there will have to be a relaxation in the pay policy. I hope that we will have an opportunity this year to introduce a sensible production scheme."

There has been a change of emphasis in the £3.1bn. Plan for Coal which covers the ten years 1975-85. Planning approval for new mines is taking longer than had been expected and many older mines are likely to be workable for longer than first estimates suggested when the plan was drawn up after the rise in oil prices.

The new strategy estimates that by 1985 new mines will provide 10m. tonnes a year, compared with first estimates of 20m. tonnes. The Board still expects to meet its target of 120m. tonnes a year of deep-mined coal by 1985, and an additional 15m. tonnes of open-cast coal a year.

For the long-term, between 1985 and 2000, the tripartite committee accepts Coal Board estimates that production may need to be expanded to 170m. tonnes a year. Coal exploration is to continue at a rate of 100 deep boreholes a year. But already the technically recoverable reserves of coal known in Britain amount to about 45,000m. tonnes—approximately 500 years supply at current mining rates.

A new coal industry Bill to be put before Parliament to-day will contain legislation to enable the industry to expand as recommended by the tripartite group. Parliamentary approval will also be required to enable the Coal Board to develop new technology for converting coal into liquid fuels and applying it as a petrochemicals feedstock.

take-over of some of the Board's services, it would seem unlikely that such an aim would be attainable at current mining rates.

"Taking up a number of issues raised by previous witnesses to the committee, the Board also developed its case for the State-owned National Bus Company to drop its express coach services and concentrate on providing inter-city trains.

A new detail of the suggested trade-off emerged yesterday when the Board suggested that National Bus might charter coaches on inter-city trains to provide capacity for its passenger services. Seats would be booked through National Bus.

A further memorandum argues strongly for the return of freight-liners, the container carrier jointly owned by National Freight Corporation and the Board, to railway control. It says that the Freight Corporation has failed to provide freightliner services properly because of its predominant road interest and financial pressures.

BRITAIN'S MAIN clothing trade bodies have reached agreement on the formation of a new organisation to co-ordinate their work in economic and industrial policy and in representations to the Government and other groups.

The organisation, the British Clothing Industry's Joint Council, has been formed after two years of discussion between seven bodies representing different clothing sectors: the Apparel and Fashion Industries Association, the Clothing Manufacturers' Federation, the Corsetry Manufacturers' Association, the National Children's Wear Association, the Overall Manufacturers' Association, the Shirt Manufacturers' Association, and the Tie Manufacturers' Association.

The British Mantle Manufacturers' Association, representing women's outerwear manufacturers, is staying outside the new organisation and has not taken part in the discussions leading to its formation. It is hoped that it can eventually be persuaded to participate.

Need for profits revival stressed

By Peter Riddell, Economics Correspondent

A STRONG statement of the need for a revival in the profits of British industry was made yesterday by the Treasury.

The main article in the latest issue of the Treasury's monthly Economic Progress Report highlights the sharp drop in the profitability of industrial and commercial companies in recent years—in particular the decline from 13 per cent. in 1960 to 4 per cent. in 1975 in the rate of return on capital when adjusted for inflation. This is defined as gross trading profits net of both stock appreciation and capital consumption at replacement cost as a percentage of net capital stock at current replacement cost (rather than historic cost).

The Treasury says the Government is aware of the dangers implied in the declining trend of profitability in real terms and its industrial strategy is based on the regeneration of a profitable industrial sector.

The article goes on to specify various actions the Government has taken to reflect this. It notes, for example, that the Chancellor of the Exchequer has explicitly recognised the value to industry and commerce of a stable tax environment where there are not the frequent changes in coverage and rates which make financial forecasting so difficult.

The article points out that profitability in historic cost terms has been in a range of 19 to 13.5 per cent. in the past 15 years.

INDIVIDUAL television staged a come-back in January in its ratings battle with the BBC, according to ITV figures produced for the Joint Industry Committee for Television Audience Research. They show that in homes able to receive both ITV and BBC, the viewing ratio was 55 per cent. ITV, 33 per cent. BBC 1, and 7 per cent. BBC 2.

The comparative figures for December, again according to JICTAR, were 49 per cent. ITV, 44 per cent. BBC 1, and 7 per cent. BBC 2.

Britain may have 30 oil and gas fields in use by 1980's

By Ray Dafter, Energy Correspondent

MORE THAN 30 British oil and gas fields could be contributing to the country's energy supplies such as demand for barges and by the early 1980s, according to report on offshore activity, out today.

The figure compares with the 12 fields which are currently meeting virtually all the U.K. gas needs and a rising proportion of the crude oil supply.

Exploration activity is expected to remain at depressed levels for the next few years, although it could pick up again at the end of the decade as companies with commercial fields and themselves in a favourable cash position.

Rigs used for drilling in the North Sea as a whole could recover from 30 this year to around 80 by 1981 although even this higher level of activity will be insufficient to absorb the available supply.

In addition, there could be a near-term demand for up to 20 mobile platforms to be used as construction or accommodation/storage vessels.

Pipelining activity is expected to decline in the next two years and there could be a complete hiatus at the end of the decade, before major decisions are taken on the gas trunk line projects in the U.K. and Norwegian sectors. Even then it seemed unlikely that the number of work-barges engaged on pipelaying and trenching would exceed ten—less than half the figure at the peak of operations last year.

Maintenance and diving support functions are seen as the fastest growing sectors in the North Sea. The number of support vessels required should grow rapidly, the report adds.

North Sea Oil and Gas Vessel Requirements, 1977-1981; Terminal Operators, Roricell House, Middlesex Street, London E1 7HJ; 553.

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INDUSTRIAL restructuring of main Board responsibilities is being undertaken by ICI Fibres, which announced at the end of last year a cut of 500 in staff jobs.

The company, which has been engaged in reducing its total staff numbers from 3,350 at the start of 1976 to a target figure of 2,350 in its efforts to return to profit, will in future have a Board of nine members instead of 12.

City inquiry seeks financial investment evidence

Financial Times Reporter

SIR HAROLD WILSON'S committee of inquiry into U.K. financial institutions is to invite written evidence on the subject of finance for investment from representative institutions, Government departments and the Bank of England.

This was announced at the committee's second meeting yesterday at which it decided that finance for investment should be the central theme of initial inquiries.

Representative bodies are to be asked to make their submissions—if possible in the next two months—giving their overall view of the arrangements for providing finance for productive investment in the U.K. and describing in detail their own investment system. This initial evidence will not be for publication.

The committee will approach individual firms and companies and banking and investing institutions over the next few months for written evidence on the same subject. Individuals may also be approached. Any individual with views on the matter is asked to submit them by the end of March.

More jobs in Massey Ferguson expansion

By Kenneth Gooding, Indust. Correspondent

MASSEY-FERGUSON is to expand its plant at Knowlsey Industrial Estate on Mersey and expects to create up to 1,000 jobs over the next few years.

The Knowlsey factory, which makes large wheeled loaders, earthmoving and diggers, loaders for attachment to tractors, employs 500 people at present.

The company first moved to Knowlsey, which is a Department of Industry estate, in 1970, doubling the size of the plant the following year.

Now a contract worth more than £750,000 for a further expansion has been awarded to West Construction (Build of Bottle).

This will increase the size of the factory to 334,000 sq. feet, and it should be ready in use in early November.

Knowlsey has been slightly affected by the industrial dispute at Massey-Ferguson Banner Lane plant in Coventry where tractors which use aluminium made at Knowlsey assembled.

Concern over letters of credit

By Margaret Reid

A CONSORTIUM of 11 Lomb banks has for the first year been suing the big Austrian Bank Creditanstalt-Baubei (CAB) over non-payment of £20.5m. (£12m. of letters of credit has now been lead words based on an up-to-date statement of its case.

The affair has attracted intensive notice, with the Lomb banks voicing concern that the system of letters of credit, which finances much international trade, could be in jeopardy if the letters are not paid.

In its statement, the consortium, led by Singer & Friedlander, cites various reasons for its view that all the terms and conditions of the letters of credit (LCs) have been completely broken. CAB should be honoured its obligations.

I am offering you six keys to successful industrial location.

British Steel's modernisation programme is releasing some of the best industrial resources in Britain with everything you need for profitable growth. This is a unique opportunity for you to develop without problems at prime industrial sites in England, Scotland and Wales.



Sir Charles Villiers, Chairman of British Steel Corporation

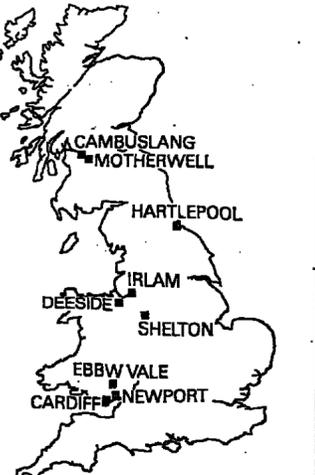
- We have available: 1. A reliable and flexible workforce 2. Comprehensive retraining facilities 3. Fully serviced industrial sites, with good access and communications. 4. New factories—available now or built to requirements—to rent or buy. 5. Government and ECSC-backed financial incentives—probably the best deal in Europe.

The sixth key—BSC (Industry) Ltd.—is unique, as I know from my experience as a former Managing Director of the Industrial Reorganisation Corporation and Chairman of the Northern Ireland Finance Corporation.

BSC (Industry) Ltd. was specially formed to mobilise British Steel's resources to develop new industry. To ensure that BSC (Industry) has British Steel's full weight behind it, I am taking personal charge.

Ring me direct at 01-235 1212 Ext. 200, if we can help you in the areas shown on the map opposite.

If you prefer, write to me, or return the coupon: BSC (Industry) Ltd, P.O. Box 403, 33 Grosvenor Place, London SW1X 7JG Telex: 916061.



Form for requesting a brochure about BSC (Industry) Ltd, including fields for Name, Position, Address, and Telephone.

BSC (Industry) Ltd British Steel Corporation

Vauxhall car prices rise by 6.3%

VAUXHALL MOTORS completed the present round of British car price increases last night with a 6.3 per cent. rise.

The rises are marginally lower than those of the three other large manufacturers—Leyland, Ford and Chrysler—who increased their prices by between 6.5 and 6.8 per cent. in the past fortnight.

Examples of the new prices are: Chevrolet Elan £1,987 (up from £1,799); Viva E 2-door £1,977 (£1,873); Magnum 1800 estate £2,351 (£2,299); Cavalier 1800 4-door £2,646 (£2,455); Cavalier 1900 GLS coupe £2,990 (£2,839); VX 2300 GLS £2,896 (£2,687).

ITV boosts ratings lead over BBC

INDEPENDENT TELEVISION staged a come-back in January in its ratings battle with the BBC, according to ITV figures produced for the Joint Industry Committee for Television Audience Research. They show that in homes able to receive both ITV and BBC, the viewing ratio was 55 per cent. ITV, 33 per cent. BBC 1, and 7 per cent. BBC 2.

The comparative figures for December, again according to JICTAR, were 49 per cent. ITV, 44 per cent. BBC 1, and 7 per cent. BBC 2.

Heavy losses prompt ICI Fibres changes

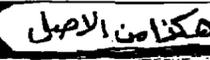
By Rhys David, Textiles Correspondent

A SUBSTANTIAL restructuring of main Board responsibilities is being undertaken by ICI Fibres, which announced at the end of last year a cut of 500 in staff jobs.

The company, which has been engaged in reducing its total staff numbers from 3,350 at the start of 1976 to a target figure of 2,350 in its efforts to return to profit, will in future have a Board of nine members instead of 12.

headquarters staff in London is expected to number under 50—less than half the former total. At Harrogate, where the company's research facilities are located, as well as part of its headquarters, staff will also be substantially reduced.

The cuts are aimed at reducing the heavy losses incurred by ICI in its fibre operations, largely as a result of depressed demand and prices. The company lost £31m. in 1975 but the 1976 figures are expected to show that the deficit has been halved.





A WEEK LATER, THE VOLVO STARTED FIRST TIME.

If you're worried about leaving your car out all night this little story might interest you.

We drove an ordinary Volvo 244 DL into a refrigerated room normally occupied by several hundred Sunday joints.

We closed the door and left the car there for a week. At night, the temperature was minus 6°C. (Rather chillier than your front drive.)

A week later, an official from the AA came to drive the car out. The engine started immediately.

To be honest, this test wasn't too difficult for a Volvo to pass.

In Sweden, the temperature can be sub-

zero for as much as six months of the year and the Volvo is built to cope.

The starter motor and alternator are more powerful than those found on many cars.

The electrical components are well weather-proofed. (In another test, we pumped 1500 gallons of water into the engine and it still started first time.)

And if the Volvo engine is built to withstand severe winters so is the Volvo body.

The rust-proofing is probably better than on any other car you can buy.

In all, some 15 different sections of the bodywork are made from galvanised metal.

(So salt on the roads won't lead to rust on the car.)

Inside, we've also learnt how to weather-proof the Volvo driver.

The heated rear window is rated at 150 watts, so you'll always get a clear view.

The heater is unusually powerful, with a 3-speed fan and thermostatic control.

(It can heat the car up to 27° centigrade, even when there are 25° of frost outside.)

If you'd like a test drive call in and see your local Volvo dealer.

Whatever the weather we promise you a warm reception. **VOLVO 244**

LABOUR NEWS

Body plant strikers hit Leyland output

BY ALAN PIKE, LABOUR STAFF

PRODUCTION OF Leyland's Mini and Jaguar ranges was brought to a standstill yesterday because of the strike by 32 men at the company's Castle Bromwich body plant who want to be made redundant.

At Jaguar in Coventry, car assembly was halted yesterday with 1,300 workers sent home as work on completed cars in the factory comes to an end. About 1,000 Lonsbridge, Birmingham workers will be laid off from Monday because of the Mini shutdown.

Mini and Jaguar production was halted less than 24 hours after 1,300 men at Castle Bromwich struck in support of the 32 workers seeking redundancy, indicating yet again the crucial position of the body plant to

Leyland's operations. Lay-offs at Lonsbridge and at the Rover factory in Solihull can be expected to grow quickly unless the dispute is settled.

The 32 men at Castle Bromwich were moved from their existing jobs because of reconstruction of the paint shop and, says Leyland, were offered alternative jobs within the factory at equal pay and status. They were sent letters of dismissal after refusing alternative employment.

Several hundred men at Castle Bromwich will be re-employed as the re-organisation of the factory goes ahead and Leyland fears that if it grants redundancy to the 32 it would provoke similar demands from others. The company is recruiting at Birmingham-area factories, including

Castle Bromwich and Longbridge, at present and there is, in theory, the possibility that men could collect redundancy payments and later rejoin Leyland.

The company has said that it finds "inexplicable" the Transport and General Workers Union's attitude in supporting the demand of the 32 men to be made redundant when work is available.

Another dispute at Castle Bromwich, by 350 press operators who walked out last week, ended yesterday and several hundred other workers who had been laid off were recalled. But at the Triumph factory in Coventry another paint shop dispute continued, with car production at a standstill and 3,200 workers idle.

AUEW seeks wage differentials

BY OUR LABOUR STAFF

PROBLEMS of pay differentials and job security in the engineering industry could hamper the Government's industrial strategy, Mr Hugh Scanlon, president of the Amalgamated Union of Engineering Workers, warned yesterday.

The AUEW executive yesterday considered a report on shortages of engineering craftsmen produced by the National Economic Development Office

last month. This showed that pay differentials between skilled and unskilled workers are now at their narrowest for at least 20 years, and possibly for 60.

Mr. Scanlon said that deterioration of differentials, lack of permanent prospects and lack of any career structure for engineering craftsmen was an "appalling condemnation" of an industry on which the

Government's industrial strategy depended "as it does on no other."

The NEDO report is seen by many AUEW members as a timely and powerful weapon in the fight to restore differentials. This will be a crucial issue in determining whether the union, Britain's second largest, continues to support pay policy when the present phase expires in July.

Journalist wins pay order

BY OUR LABOUR STAFF

A NEWSPAPER photographer who lost his job after his employer signed a closed shop agreement with the National Union of Journalists yesterday won an industrial tribunal order that he should continue to be paid until an unfair dismissal claim is settled.

Mr. Rodney Southwood, aged 32, chief photographer of the *Liford Recorder*, was dismissed for misconduct last month after refusing to rejoin the NUJ, which he recently left for the rival *Institute of Journalists*.

Yesterday's hearing was adjourned because representatives of the newspaper's proprietors, South Essex Records, were not present. The tribunal chairman said Mr. Southwood could not be reinstated in the absence of his employers but

said that on the evidence so far his application was likely to succeed.

The *Liford Recorder's* decision to concede a NUJ closed shop has caused consternation among other newspaper proprietors. The Newspaper Society, which represents provincial managers, has asked the Recorder to show reason why its membership should not be ended.

Members of the TUC printing industries committee will today try to resolve a strike by 70 NUJ members employed by the East Midlands Allied Press on three Northamptonshire newspapers. The strike is in its tenth week.

A local NUJ complaints committee in Northamptonshire is sitting today to consider allegations about the conduct of some members during the strike.

British genius on show for Jubilee

ONE HUNDRED YEARS of achievements, though, because bright ideas are to go on show in London as part of the Jubilee Year celebrations.

The Elm, British Genius exhibition opens on May 27 in Battersea Park. It will not be just a nostalgic look at past

Freedom group may help company hit by postal strike

BY CHRISTIAN TYLER, LABOUR STAFF

THE NATIONAL Association for Freedom is considering a request for help from an East London company hit by the unofficial Post Office workers' strike in Whitechapel Road.

The association's recent legal success in stopping a planned boycott of South African mail by the Union of Post Office Workers encouraged the shipping and travel agency E. H. Mundy, based in Poplar, to appeal to it yesterday.

Meanwhile, Mr. Tom Jackson, the union's general secretary, was meeting Post Office officials at the headquarters of the London postal region last night in efforts to find a settlement.

About 350 workers have been on strike intermittently since February 1 in protest at plans to recruit extra staff and re-schedule work to cut overtime. The Whitechapel Road sorting office serves some 300,000 districts—about 700,000 people. It handles 5m. letters a week, which is nearly 10 per cent. of the total in the capital. The

dispute has caused a backlog of 2.7m. letters.

The area affected covers Aldgate in the West to East Ham and Chingford in the North to Poplar.

Mr. Trevor Knibb, managing director of Mundy, said yesterday: "We have had no mail this week and last week only a trickle. We deal a lot with shipping documents and are suffering badly from this industrial action."

Other companies said they were suffering from the dispute and felt powerless to do anything.

If the association decides to test the legality of the industrial action, it will highlight the part of the *Appeal Court's* decision in the South Africa case that most worries the Post Office unions—the question of erosion of their trade union immunity from prosecution when taking industrial action.

Last night the Post Office said: "As far as we are concerned this is purely an industrial dispute and we are not looking at it in any other light."

Rivals for TGWU post urge end to pay curbs

BY DAVID CHURCHILL, LABOUR STAFF

SUPPORT FOR an end to wage restraint and a return to free collective bargaining figures prominently in the election addresses of several candidates for election as general secretary of the Transport and General Workers Union.

Mr. Moss Evans, widely regarded as the leading candidate, says that the sacrifices of the union movement over the past few years "justify now a return to normal collective bargaining in order to defend the interests of our membership."

Mr. John Cousins, in his address, says that a third stage of the social contract is unacceptable. "Only by restoring free collective bargaining can the damage of unemployment, pay anomalies and tension built up over the years of control be resolved."

The present general secretary, Mr. Jack Jones, is implicitly

criticised by Mr. Alex Kitson, who says that "bargaining with government and arrangements reached must not substitute for trade union action to achieve better standards and education."

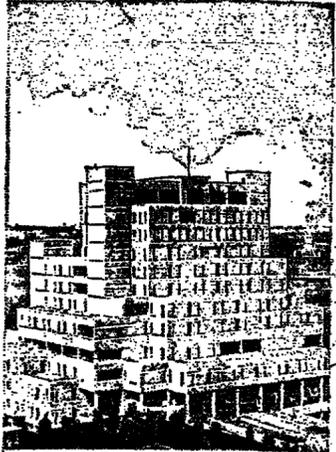
Mr. Jones was one of the architects of the social contract and pay policies.

Mr. John Miller argues in favour of the TUC negotiating "with the Government of the day on the widest possible range of matters affecting working class living standards" but adds that "in a capitalist market economy, wage restraint should have no part whatsoever in these negotiations."

Mr. Larry Smith uses his address to launch an attack on those jealous of the union for its influence and prestige. He particularly cites the media for the "viciousness" of its attacks. "I believe that their blatant abuse of journalistic licence should not go unchallenged."

LIVERPOOL: INVASION REPORT

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F.T. 9/2 (Ref. DCM)

NOTICE

To the Holders of 5 3/4 % Guaranteed (Subordinated) Convertible Debentures due 1988 and Holders of Detached Debenture Coupons of

KING RESOURCES CAPITAL CORP., N. V.

Guaranteed by KING RESOURCES COMPANY

This NOTICE is published by Citibank, N.A. (formerly known as "First National City Bank") as Trustee (the "Indenture Trustee") under the Indenture dated as of November 1, 1968 relating to the above-described Debentures to advise you of certain events relating to KING RESOURCES CAPITAL CORP., N.V. ("KRCC") and KING RESOURCES COMPANY ("KRC"). On February 3, 1976, the United States District Court for the District of Colorado in which reorganization and bankruptcy proceedings of KRCC and KRCC are pending, filed an "Order Approving Trustee's Amended Plan of Reorganization And Fixing Time For Filing Acceptance Or Rejection," etc. Previously, on November 14, 1974, the Court had found that the value of the assets of the Debtor, KRC and its subsidiaries, was between \$60,000,000.00 and \$80,000,000.00 and that liabilities were in excess of \$125,000,000.00.

Certain interested parties appealed from the Court's Order of February 3, 1976 approving the Trustee's Amended Plan of Reorganization, and said appeal is still pending in the United States Court of Appeals for the Tenth Circuit.

On January 20, 1977, Charles A. Baer, the "Reorganization Trustee", filed his Trustee's Interim Report No. 42 containing an Interim Status Report for the period beginning October 1, 1976 and ending December 31, 1976. Included with Interim Report No. 42 was a Special Report by the Reorganization Trustee which summarized certain information provided to the Reorganization Trustee by Raymond S. Kravis & Associates with respect to updating and reviewing reserve calculations for the proven and developed oil and gas properties owned by the Debtor in the United States and Canada. As a result of such information, the Reorganization Trustee included with his Special Report a schedule of assets stating the estimated fair market value at December 31, 1976 of the assets of KRCC and subsidiaries to be \$177,278,084.00. The Special Report also contains a schedule listing total liabilities to be settled in the reorganization proceedings, with post-petition interest to December 31, 1976, of \$111,407,760.00. Such re-evaluation of assets principally relates to the evaluation provided to the Reorganization Trustee by Raymond S. Kravis & Associates of producing oil and gas properties of KRCC in the United States and Canada at \$103,114,204.00, as compared with the estimated fair market value of these assets presented to the Court during 1973-1974 of \$30,026,774.00.

Citibank, N.A., as Indenture Trustee, has requested that the Reorganization Trustee provide any debenture holder a copy of such Interim Report No. 42 upon request directed to Charles A. Baer, Trustee, King Resources Company, 201 S. Cherokee Street, Denver, Colorado 80223.

CITIBANK, N.A. DATED: February 4, 1977 Indenture Trustee as aforesaid

Civil servants' claim

A Pay claim for rises of £2.50 to £4, the maximum allowable under present pay policy, has been lodged on behalf of 560,000 non-industrial civil servants.

Airport talks
A bid to end the dispute which has shut Glasgow Airport will be made at a meeting tomorrow between a Transport and General Workers Union official and shop stewards representing the airport's firemen.

Fishing pools
The British Fishing Federation suggested two labour pools for trawlermen, one for casual labour and one for decasualised labour, allowing men to move freely between them.

Part settlement
The Advisory Conciliation and Arbitration Service helped settle three-quarters of the 3,500 industrial disputes referred to it in 1976. Mr. Jim Mortimer, the chairman, said.

Strike continues
More than 450 workers at the GEC complex in Kidsgrove, Stoke-on-Trent, voted yesterday to continue a strike over the sacking of 12 storemen.

Pension
Some companies were trying to stampede employees into a quick

Optimism on British exports

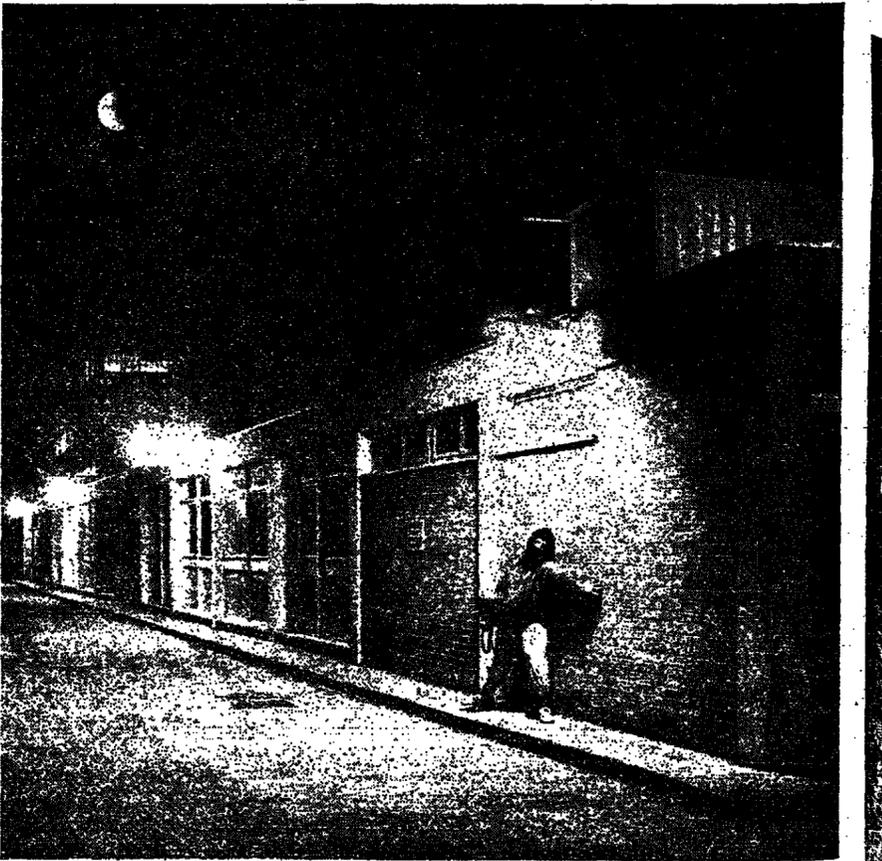
THERE is now more optimism about export prospects in British industry than there has been for several years, according to the London Chamber of Commerce and Industry.

Preliminary results from its latest survey of members shows a big upsurge in export orders. Coupled with this the Chamber says in its latest economic report that with the help of North Sea oil Britain's immediate economic problems should be easing. A lot will depend on whether a new pay policy for Phase 3 can be agreed but if Bullock is the price of continuation of the social contract then the price would be too high, the survey said.

However, it warns that there are still serious problems to be overcome. While the IMF stands by credit and the Basic agreement for a safety-net for sterling have stopped the slide of the pound and the North Sea will have a major impact on the trade figures they will not of themselves boost industrial regeneration.

The growth of industrial production is still very slow and unemployment looks as though it could continue to rise throughout the year.

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مكتبة الاصل

APPOINTMENTS

W. Elliott heads Bass Charrington export company

Bass Charrington has formed an export company to co-ordinate the export trade in beer, wines and spirits of the group, previously handled by a number of subsidiaries. Chairman of the new company is Mr. W. R. C. Elliott, who has also been appointed managing director and Mr. D. MacLeod, financial director. Its sales office will be in London.

London Clearing Banks' balances as at January 19, 1977

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Courts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES

Table with columns: LIABILITIES, ASSETS, Total outstanding, Change on month. Rows include U.K. banking system, Overseas residents, Certificates of deposit, etc.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

Table with columns: LIABILITIES, ASSETS, TOTAL, BARCLAYS, LLOYDS, MIDLAND, NATIONAL WESTMINSTER, WILLIAMS & GLYNS. Rows include Total deposits, Cash and balances with Bank of England, etc.

TABLE 3. CREDIT CONTROL INFORMATION

Table with columns: Eligible liabilities, Reserve assets, Reserve ratio (%). Rows for various banks and groups.

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

Table with columns: 1-Banks, 2-Finance houses, Jan. 19, 1977, Change on month. Rows include U.K. banks, Overseas banks, U.K. banks, etc.

CONTRACTS AND TENDERS

Democratic and Popular Republic of Algeria. MINISTRY FOR INDUSTRY AND ENERGY. INTERNATIONAL INVITATION TO TENDER. A tender has been launched by S. N. SEMPAC for the setting up of a unit 'Produit en main'...

LEGAL NOTICES

No. 00369 of 1977. In the HIGH COURT OF JUSTICE Chancery Division Commis Court, in the Matter of CUNNINGHAM CAR REPAIRS LIMITED and in the Matter of The Company No. 148. NOTICE IS HEREBY GIVEN that a Petition for the Winding-Up of the above-named Company...

APPOINTMENTS

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COMPANY NOTICES

UNILEVER LIMITED. NOTICE is hereby given that registration of transfers of Debenture Stocks of the Company will be suspended for one day only on Friday the 11th March 1977.

EDUCATIONAL

FRENCH INSTITUTE (Universities of Paris and Lille) SECRETARIAL COLLEGE. 14 Cranwell Place, London SW7 2JR. Tel: 01-829 6211 ext. 43/44



Consolidated Statement of Condition

Table with columns: ASSETS, LIABILITIES, EQUITY CAPITAL. Rows include Cash and Due from Banks, Federal Funds Sold and Securities Purchased, Demand Deposits, etc.

DIRECTORS: WILLIAM F. MURRAY, Chairman of the Board; STANLEY G. HARRIS, JR., Vice Chairman of the Board; CHALKLEY J. HAMBLETON, Vice Chairman of the Board; CHARLES M. BLISS, President; BENNETT ARCHAMBAULT, Chairman and President; JOHN W. BAIRD, President; Baid & Warner, Inc.; JOSEPH A. BURNHAM, President and Chief Executive Officer; JAMES W. BUTTON, Senior Executive Vice President; SAMUEL S. GREELEY, Chairman and Chief Executive Officer; ROBERT C. GUNNESS, Rating Vice Chairman of the Board; HUNTINGTON HARRIS, Trustee; DONALD P. KELLY, President and Chief Operating Officer; JOSEPH B. LANTERMAN, Chairman; AMSTED Industries Incorporated; ARTHUR C. NIELSEN, JR., Chairman of the Board; JAMES E. OLSON, President and Chief Executive Officer; GEORGE A. RANNEY, Vice Chairman; THEODORE H. ROBERTS, Executive Vice President; DANIEL C. SEARLE, Chairman of Executive Committee and Chief Executive Officer; G. D. SEARLE & Co.; MAYNARD P. VENEMA, Director and Past Chairman of the Board; UOP, Inc.

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Ashley leads vaccine compensation demand

CLAIMS FOR vaccine-damaged children cannot be considered in isolation. Mr. David Ennals, Social Services Secretary, said in the Commons yesterday. He told MPs: "Vaccination gains greatly outweighed the risks."

Rejecting a call from Mr. Jack Ashley (Lab., Stoke S) for an independent inquiry into the vaccine, Mr. Ennals said it would be wrong for him to preempt the report of the Royal Commission on Civil Liability and Compensation for Personal Injury, expected later this year.

No amount of money could put right the damage caused to children by whooping-cough vaccination. "What we can do is to ensure that the best medical help is given to the children and that their parents are helped to bear the additional burdens," he added.

Mr. Ennals went on: "We are doing all we can under the present law to make things easier for the financially. A wide range of services and benefits was available under the National Health Service, personal social services, the social security system and the family fund, which had been extended in 1974 to help families with a severely handicapped child."

Mr. Ennals said that the Standing Medical Advisory Committee, in its evidence to the Royal Commission, had recognised that there was a reasonable case for paying compensation where vaccination was proved as the cause of damage, but "I cannot consider the claims for vaccine-damaged children in isolation."

There was not the only case where medical action could cause unforeseen damage or where Governments had urged people to use some part of the Health Service.

Although there was a small risk of brain damage from whooping cough vaccination, Mr. Ennals was advised by the joint committee that the vaccination policy should not be changed because "the gains greatly outweigh the risks."

Whooping cough was a dangerous disease which could lead not only to brain damage but to permanent lung damage and even death. Last year, there were four deaths among 4,000 cases.

He was determined to ensure that the risks of damage were reduced to the absolute minimum. The most up-to-date information on when not to vaccinate would be sent again to all doctors and nurses concerned. He was also considering what



Mr. Jack Ashley

more could be done to improve liaison between family doctors and clinics.

Mr. Ennals said he would ask the committee on Safety of Medicines to examine any extra information assembled by the Association of Parents of Vaccine-damaged Children.

Demanding an inquiry, Mr. Ashley said that public anxieties would not be allayed by Ministerial statements. "It is intolerable to wait for the Royal Commission. It is your responsibility to decide now to give compensation," he told the Secretary of State.

Mr. Ashley added: "Your statement about improving procedures does nothing for the children blinded, deafened or paralysed by this vaccine."

Mr. Ennals replied that 22 independent experts on the independent joint committee on vaccination and immunisation were unanimous in their conclusions. "A separate independent inquiry would not establish any evidence not already available to the joint committee."

Though he had sympathy for the case for compensation, he could not enter into any firm commitment before the Royal Commission report. Retrospective compensation was a question the Government would consider when the report was made, Mr. Ennals promised.

Dr. Gerard Vaughan, Opposition health spokesman, asked for an assurance that this would not be Mr. Ennals's last word on compensation. "These are a special group of children, be-

cause they are normal, healthy children before the injection is given.

"That is what differentiates them from other disabled children, particularly because the State recommends injection. So surely the State should share responsibility when things go wrong," he argued, indicating that other European countries paid compensation.

Mr. Ennals replied that in many of the countries where compensation was paid, injection was compulsory, while in Britain, it was not.

He said it was not his last word on compensation. "I have a great deal of sympathy with the case put forward on behalf of these children."

Mr. Laurie Pavitt (Lab. Brent S.) backed the case for compensation, but said immunisation and vaccination had done more for the health of Britain than anything else in the Health Service.

Mr. Ennals agreed that there had been a big fall in whooping cough cases from 90,000 cases and 85 deaths in 1956, to 4,000 cases and four deaths last year.

Mr. Stephen Ross (L. Isle of Wight) commented that the statement had the ring of the thalidomide case where, ultimately, compensation was paid, following a campaign by Mr. Ashley.

"Are you aware of the real heartbreak tragedies this vaccine has caused? It's time that a definite commitment was given to pay compensation," he declared.

Mr. Ennals said he could not go further than his original statement and ask MPs to await the report of the Royal Commission.

Mr. Eddie Loyden (Lab. Gorton) feared that delay and procrastination on the compensation issue would lead to a loss of confidence in vaccination, and Mr. Lewis Carter-Jones (Lab., Eccles) said the decrease in the number of people being immunised was frightening.

Mr. Ennals doubted whether a guarantee of compensation would affect the judgment of parents. But there was a real danger that polio, diphtheria and whooping cough would reappear if the fall-off in vaccination continued or progressively increased.

Ennals denies NHS 'on brink of disaster'

MR DAVID ENNALS, Social Services Secretary, said in the Commons yesterday that he was fed up with statements that the National Health Service was on the brink of disaster. "It is not in any such situation," he told Dr. Gerard Vaughan, Opposition spokesman.

But the Secretary of State conceded that there were major problems that the NHS had to face.

Mr. Laurie Pavitt (Lab. Brent S.) urged Mr. Ennals to recover the £250,000 which had been paid to McKinsey, the management consultant firm, for advising the Conservative Government on the reorganisation of the Health Service. This had been an unmitigated disaster, he declared.

Mr. Ennals said it was remarkable that the firm now recognised that the reorganisation had been a disaster. Everyone was suffering from what the Tories had imposed. He had not heard anyone defend Sir Keith Joseph, former Social Services Secretary, who "had been responsible."

Mr. Ennals added: "The time may come when a further change will have to be made but it would be very unwise for any Secretary of State to throw the Health Service into some new traumatic reorganisation."

Callaghan orders alert for Tory traps

By Ivor Owen, Parliamentary Staff

WITH THE Government ranks still smarting from the shock one-vote defeat on the Reduction of Redundancy Rebates Bill, sustained on Monday night, the Prime Minister called on Labour MPs in the Commons yesterday to be on the alert for more ambush attempts by the Opposition.

At the same time, and with some asperity, he warned Labour backbenchers who are opposing attempts by Ministers to apply the guillotine to the legislation not to precipitate another embarrassing reverse for the Government.

The Prime Minister seemed somewhat inhibited in pointing to the conclusions to be drawn from Monday's humiliating events, after Mr. Robin Maxwell-Fyfe (C. Tiverton) acridly enquired: "Why did you secure the defeat of your own Government by not voting last night?"

Mr. Callaghan explained that he had understood he was paired with a Conservative MP although the Government Whips had had some difficulty in obtaining pairs for some Labour members who had been unable to attend through sickness.

But, he insisted, there was a lesson for all Labour MPs. "If the Opposition is setting a trap, perhaps we had better be a little more careful in the future than we have been in the past."

The mixed motives of Labour backbenchers, whose activities have forced the Cabinet to stay its hand in seeking to apply the guillotine to the Scotland and Wales Bill, were highlighted by Mr. John Lee (Lab., Handsworth).

"Some of us who support the devolution Bill will not be prepared to support the guillotine if it will allow the European direct elections Bill to come in," he said.

Mr. Lee made clear that he would be happy to see the devolution legislation occupying virtually the whole of the remaining life of the present Parliament.

Mr. Callaghan brusquely told Mr. Lee that there was no direct connection between the devolution legislation and the Bill authorising direct elections to the European Parliament. "I hope you won't be intending to play the fool on either of them," he snapped.

Earlier, Mr. Callaghan clashed with Mrs. Margaret Thatcher when the Opposition leader repeatedly called on him to condemn the influence of Marxists on the Labour Party. She accused Mr. Callaghan of seeking to avoid a direct response because he had to rely on the support of Marxists to keep the Government in power.

The Prime Minister replied: "I would not more welcome or condemn than you would welcome or condemn the support of fascists for the Conservative Party."

Backed by Tory cheers, the Opposition leader countered: "I completely condemn fascism anywhere. Will you similarly condemn Marxism?"

Mr. Callaghan said he did not discourage the discussion of philosophical ideas which might help to shape society. Mrs. Thatcher had failed to recognise that to discuss views did not mean a commitment to support them.

EEC poll Bill

A BILL to provide for direct elections to the European Parliament was introduced by the Liberals in the Lords yesterday. The measure, which amends the 1949 Representation of the People Act, was given an unopposed first reading.

More time needed for nuclear power decisions—Benn

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

CRITICS OF Britain's nuclear power industry could not be dismissed as "cranks or subversives," Mr. Anthony Wedgwood Benn, Energy Secretary, told the Commons yesterday when he emphasised that the Government needed more time to consider the key decisions affecting the future of the industry.

Mr. Benn did not specify those he had in mind but his remark was an obvious reference to fears build an oxide disposal facility at Windscale to process nuclear waste and hostility over plans to produce fast breeder reactors.

"There is a tendency to suppose that anybody who questions the nuclear programme is a member of the 'sandies and brown-bread' brigade. But that is not an adequate answer to these questions which have been put forward," he declared.

"Any Minister in any Government with the responsibility of reaching these decisions must satisfy himself and the House that all these considerations have been properly looked at before decisions are made. These are very complex and difficult questions."

The Energy Secretary was speaking on the second reading of the Nuclear Industry (Finance) Bill, which raises the limits on payments which may be made by the Government and the U.K. Atomic Energy Authority to British Nuclear Fuels and the Radiochemical Centre Limited.

Currently, these limits are

£75m. for BNFL and £5m. for TRCL. The Bill would allow the limit for BNFL to go to £300m. or up to £500m. if an Order was passed in the House. In the case of TRCL, the limit may be raised to £15m. by Order in the Commons.

In addition, the Bill enables the Government to guarantee the return of any advance payments made by the Japanese to British Nuclear Fuels towards the building of the disposal facility at Windscale. The Environment Secretary (Mr. Shore) has said that he is prepared to hold a public inquiry on the proposal for a new Windscale reactor.

Turning to new developments in the industry generally Mr. Benn told MPs: "I believe there is a case for taking time on the fast breeder reactor. The full-scale development of nuclear power, including the fast breeder reactor, is, in my view, neither self-evidently inevitable nor self-evidently wrong."

"I want to hear more, to know more, and want more time before some of these decisions are made. The decision must be a political one, otherwise we are abdicating our responsibility to experts. It must be taken with Parliamentary assent."

According to Mr. Benn, the nuclear industry had complained that it had been subject to ignorant criticism by people who did not really understand the position. But he thought, the ignorance had been bred by the tradition of a "backdrop" that surrounded the industry.

MP wants security firms registered

By Ivor Owen

GROWING CONCERN about the infiltration of some security organisations by criminal elements was stressed by Mr. Bruce George (Lab., Walsall S) in the Commons yesterday when he successfully sought leave to introduce a Private Member's Bill providing for the registration of private security firms.

While private security firms were, by and large, reputable, the need for a system of registration was overwhelming, he said. Mr. George, who disclosed that he had supplied the Home Office with a dossier giving details of security firms employing people with criminal records, declared: "In my mind, certain crimes really should be incompatible with membership of a security company guarding people's lives and property."

He told the House that some people with serious criminal records were entering the security industry, one of the fastest growing in the country, either as directors or as guards.

Mr. George stressed that his Bill had the backing of the industry itself and the Police Federation but the Home Office had refused to introduce regulatory procedures.

"I have yet to come across an individual or group, other than criminals or the Home Office, who are not sure that registration is the only way," he said. Mr. George suggested that a system of registration could be operated by a public Board or by the industry itself. "It could help the industry to discharge its duties against a backdrop of public trust," he declared.

Sir Harold believes Haines could have confused events

BY RICHARD EVANS, LOBBY EDITOR

SIR HAROLD WILSON yesterday issued a further denial of more embarrassing revelations than to Labour, reinforced the desire of Mr. Callaghan and other Ministers to keep well out of the slanging match that has developed between Mr. Haines and Sir Harold and Lady Falkender over life at 10, Downing Street.

Worried Labour MPs, apprehensive that the row could have on Labour's electoral fortunes, were being reassured by Mr. Callaghan's colleagues yesterday, who underlined the marked difference in leadership style adopted by the present Premier.

Sir Harold's statement affirmed that he knew nothing about the suggestion that Captain Kerby was going hand and hand with Joe Haines or anyone else. "I cannot imagine what use they would be of the strategy of the Tory 1970 cam-

paign was clear long before, and it worked."

Sir Harold thought that Joe Haines was confusing this with two other incidents of which he did have knowledge. One concerned difficulty in getting a Conservative nominee for the position of Deputy Speaker when he received a message through a Minister that Captain Kerby was willing to be considered.

The second was an incident when he learned that Captain Kerby was angry about information that a journalist was trying to discredit Lord Chalfont, then Minister of State at the Foreign Office.

Mr. Harold added that he was issuing the denial in fairness to the memory of Captain Kerby and to the feelings of his family and associates. Captain Kerby was MP for the safe Conservative seat of Arundel and Shore-

Direct elections Bill call by 60 Labour MPs

BY RUPERT CORNWELL, LOBBY STAFF

A NEW COMPLICATION was last night added to the already tangled legislative programme of the Government when more than 60 Labour backbenchers issued a call for speedy introduction of the promised Bill for direct elections to Europe.

The MPs, who include the former Foreign Secretary, Mr. Michael Stewart, and large numbers from the moderate Manifesto Group, have tabled a motion insisting that a Bill is needed quickly to resolve the present uncertainty and to reassure Britain's EEC partners that the Cabinet will not back

out of its undertaking to hold the election on schedule in 1978. In doing so, the 62 signatories have signalled their dissatisfaction at Monday's stone-walling on the issue by Mr. Brynmor Jones, Minister of State at the Home Office, when he repeated the assurance that the Government would "stick to its commitment to use its best endeavours."

They have also provided proof, if any was needed, that a substantial majority exists in Parliament for the European Assembly legislation. Although over 70 Labour Left-

wingers have made public their opposition to elections next year, and implicitly in any year after that, they would be overwhelmed by the combined strength of the Conservatives, the Liberals and the pro-Marketers on Government benches. With each new day of dissent, however, it becomes more evident that the fate of the direct elections measure hangs on the outcome of the wrangling. If an over-devotion where it could be used conceivably as a bargaining counter in any deal the Government can achieve to secure the guillotine time-table motion.

NOTICE OF REDEMPTION To the Holders of Government of New Zealand Twenty Year 6 1/2% Bonds due March 15, 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has drawn by lot for redemption on March 15, 1977, at 100% of the principal amount thereof through operation of the Sinking Fund, \$236,000 principal amount of said Twenty Year 6 1/2% Bonds due March 15, 1986 bearing the following distinctive numbers:

Table with columns of bond numbers and amounts. Includes entries like 66-86 1046 2441 3936 5322 6491 7024 7201 7858 8814 9319 9966 10566 11237 12129 13029 14389 15484 16484 17484 18484 19484 20484 21484 22484 23484 24484 25484 26484 27484 28484 29484 30484 31484 32484 33484 34484 35484 36484 37484 38484 39484 40484 41484 42484 43484 44484 45484 46484 47484 48484 49484 50484 51484 52484 53484 54484 55484 56484 57484 58484 59484 60484 61484 62484 63484 64484 65484 66484 67484 68484 69484 70484 71484 72484 73484 74484 75484 76484 77484 78484 79484 80484 81484 82484 83484 84484 85484 86484 87484 88484 89484 90484 91484 92484 93484 94484 95484 96484 97484 98484 99484 100484 101484 102484 103484 104484 105484 106484 107484 108484 109484 110484 111484 112484 113484 114484 115484 116484 117484 118484 119484 120484 121484 122484 123484 124484 125484 126484 127484 128484 129484 130484 131484 132484 133484 134484 135484 136484 137484 138484 139484 140484 141484 142484 143484 144484 145484 146484 147484 148484 149484 150484 151484 152484 153484 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The Management Page

Kenneth Gooding describes how a small fork lift truck manufacturer entered an expansionary phase and concentrated on marketing

A change of industrial strategy at Matbro

THE RUMBLING of major structural change can be clearly heard from the U.K. part of the industrial fork lift truck industry. Taking its cue from the National Economic Development Office sector working party's industrial strategy report, the industry has been reshaping itself. This was necessary if Britain was to have the kind of companies which could compete effectively with the production and marketing muscle of the multi-national groups—or so the working party insists.

Outside investment

The same argument has prevented him in the past from selling out or admitting outside investment. "I have seen too many people who sold their companies become very unhappy. They could not get on when working for somebody else. My job in life is to make better machines to make the user a profit. This would have been more difficult if I had been working for someone else. I can't imagine others willing to put as much money behind my ideas as I was prepared to put behind them," he says.

Privately owned

While it is content to carry on in this way, there is no reason to suppose that Matbro will not only survive but will also thrive. The company seems to have reached the stage, however, where it has to decide whether it should keep "small is beautiful" as its motto. Matbro is unlikely to get involved in the industry restructuring, not because of any particular deficiency in product or



Mr. Len Mathew, founder of Matbro, aboard one of his company's forklift trucks.

because he has insisted on following a "commonality of parts" policy. Some 75 per cent of the components used in Matbro and Bray machines are common to them all.

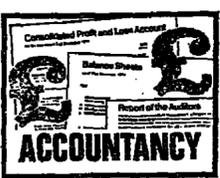
Of course, Matbro makes better margins of profit on those items of equipment where it has some technical edge. In this category comes the "Swing-lift" truck. This has a mast which slews through 90 degrees and allows long loads to be transported along aisles much smaller than the load length and through doorways only inches wider than the truck. It is unique to Matbro.

Mr. Mathew's son John, 31, who is Bray's managing director, likes to compare the U.K.'s relative success in the industrial truck business against the sharp decline in its fortunes in the construction equipment market. He believes part of the reason is that the industrial truck operators attracted entrepreneurs in a way that the construction equipment industry did not.

Classical entrepreneur

His father is the classical entrepreneurial figure, fighting hard against all the odds. Mr. Mathew gets particularly cross about the lack of support U.K. governments have given to the entrepreneur. "I should have spent all my time being involved in the building of machines and designing new ones. But I spent at least a quarter of my time on tax problems."

To-day Matbro wins a lot of business on price, as well as for technical reasons. Mr. Mathew looks for at least a 10 per cent profit on turnover but Matbro can achieve this and still charge less than its competitors on many occasions.



NEARLY THREE of the six months allowed for discussion of the proposed new inflation accounting system have passed and there are already strong indications that opinion is hardening within the accountancy profession against the sheer complexity of the Morpeth steering group's proposals.

The changeover to current cost accounting (CCA) is a major and unprecedented exercise for industry and the accountancy profession which means that it is important for all those concerned with company accounts to understand what is being done and how the changes differ from the existing historic cost system.

Many people think that Morpeth's proposals on inflation accounting are too complex and that a more simplified approach should now be adopted.

Morpeth critics want simplicity

BY MICHAEL LAFFERTY

among the major accounting firms. As one senior partner remarked: "The more we look at Morpeth the less of it we like."

Mr. Bryan Blackburn, a partner in Deloitte's, is one accountant who finds ED 18 too complicated. Lease accounting and goodwill are two of the areas which he would like to see left out of the CCA standard, but he is also uneasy about such things as the use of modern equivalent asset valuations in the balance sheet.

Strong views are also held at Whinney Murray, although the firm stresses that it has not developed a final reaction to the Morpeth proposals. Mr. Hugh Patterson, the firm's senior

partner, finds that ED 18 contains "many anomalies, inconsistencies and impracticalities, and gives the impression of having been inadequately researched." He argues that a way of implementing CCA is urgently needed, but states that the urgency must be balanced against the requirement that the solution be "fair, practicable and objectively verifiable."

Finally, Mr. Donal Carroll, chairman of P. J. Carroll, the company which has been using CCA-type accounting for over two years, says: "It's only in the past six months that we have started to feel comfortable with it." In his view the figure for distributable profit is the real profit for the year, and for this reason he wants to see the guidelines for calculating the transfer to or from the revaluation reserve firm up. He also thinks that companies will have to explain much more to shareholders the reasons for retaining funds surplus to those required to maintain operating capacity.

"This raises the question of the £2.8m. which P. J. Carroll is retaining after paying dividends of £1.5m." It is our aim to identify new products for markets abroad which can be marketed profitably in this country, giving significant new employment in and in which we might invest either on our own or in joint ventures with other partners," Mr. Carroll tells shareholders in his chairman's statement.

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BUSINESS PROBLEMS BY OUR LEGAL STAFF

Calculating the premium

Although I am aware that the appropriate figures appear daily in your pages, I am still baffled as to how to calculate the amount of premium included in the prices you quote. Could you please explain?

The amount of the investment currency premium included in the London price of foreign currency securities is easily calculated from the conversion factor shown at the foot of the first column of prices in the FT. Currently, the factor stands at 0.7282, and the price should be multiplied by this figure to arrive at the ex-premium price. Thus a share worth 100p including the premium would be worth 72.82p to a non-U.K. resident.

Shares subject to surrender

Are Australian mining shares bought in 1972 before the dollar premium applied, subject to the 25 per cent premium surrender if sold now?

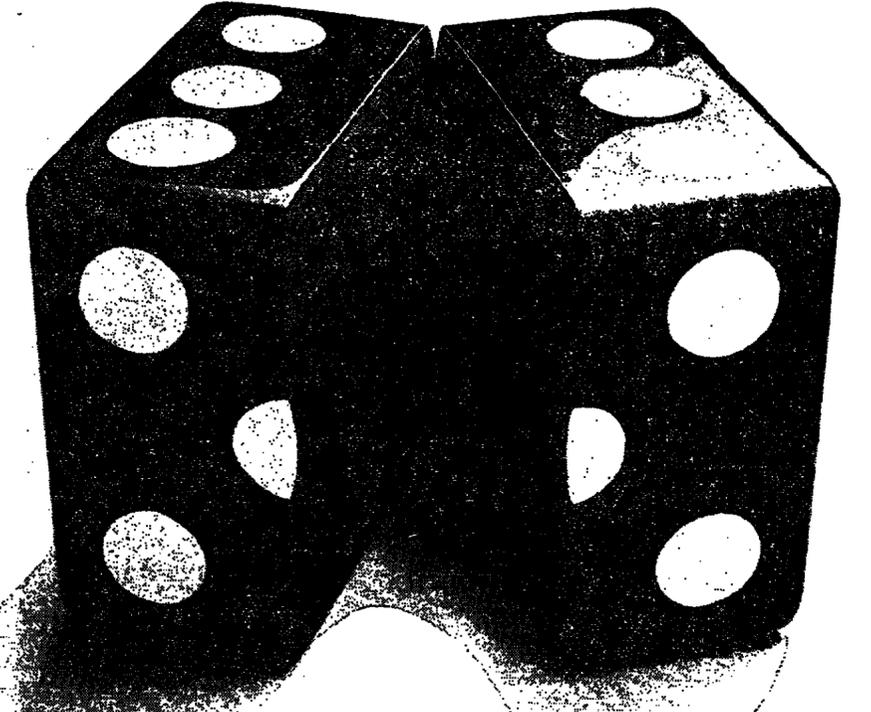
Australian shares are now foreign currency securities as far as U.K. residents are concerned. Their London price therefore includes the investment currency premium and the proceeds of sale would be subject to the surrender of a quarter of the premium.

Permission for use of building

A builder who for some years used a building for a workshop and stores for which planning permission had only been obtained for use as a garage, died in 1974. I have recently acquired his premises, now unused. Can I safely use them for the purpose he did?

It is quite likely that you can establish that the use for more than four years before January 1, 1968 has set up a right to the use as workshop and stores. So long as there has been no actual use other than as workshop and store since then, but the only gap is when there was no use at all, you ought now to be able to carry on with the non-conforming use.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.



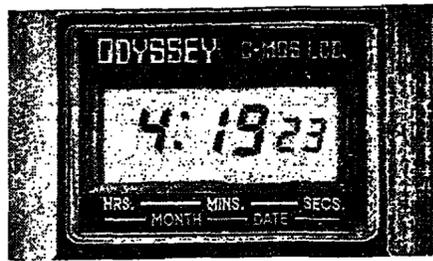
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Changes in the face of time

By CHRISTOPHER LORENZ in London and JOHN WICKS in Zurich

Warnings from the shop floor

IN THE PAST few days a well-orchestrated chorus of mainly left-wing shop-floor trade unionists has been raised against continued wage restraint. Workers at British Leyland are said to be eager to strike (those who have not been giving way to the temptation already). They are now supported by those at Ford, who "aspire" to wage parity with German Ford. Miners are to discuss a target of £135 a week before they have achieved £100 and busmen are the latest to state large claims. Meanwhile, Mr. Hugh Scanlon talks in a more restrained way of differentials for skill.

Bad management While it would be extremely naive to take such claims at face value—they are intended principally to bring pressure to bear on union leadership—it would be equally foolish to dismiss them as routine preliminaries to bargaining. The shop floor leadership is sounding more militant this year because it senses a growing impatience on the shop floor, and it is becoming clear that this year's pay round will be an unusually difficult one for this reason. The TUC leadership does seem to understand—seemingly rather better than the TUC economic department—that within the financial constraints set out in the Letter of Intent there is a constant on the growth of money national income, and excessive wage increases will only result in much higher unemployment. They may also realise that even in the absence of sensible financial rules, an acceleration of inflation would have exactly the same result. It may not be easy to convince their membership of these truths.

There are three reasons for this. First, shop stewards are able to argue more plausibly than for some time past that restraint does not deliver results. A combination of bad management and continued bad luck has conspired to produce a temporary acceleration of inflation at the worst possible time—in the run up to the spring negotiations. The causes are well known—the collapse of sterling last summer, which has ensured that prices will rise sooner than they would have

More favourable Both the tragedy and the hope in the present situation lies in the fact that if one more round of effective restraint can be achieved, inflation could, with only moderate luck, be reduced quite drastically by the early months of 1978, so that that year will be a far more favourable one in which to attempt the dangerous re-entry into a proper market for labour. Besides its powers of persuasion, the Government has one card in the crucial stage ahead: some scope for cutting taxes, which can be enlarged by still tighter control of public spending in money terms—including public sector pay. It is doubly true this year that restraint must begin sooner than they would have

Price trends and exports

BETWEEN July and October of last year, according to the CBI Survey of Industrial Trends, there was a sharp drop in the general optimism of British manufacturing industry about the business outlook: a positive balance of 31 per cent, who felt more optimistic was changed during this period into a negative balance of 9 per cent, who felt less so. Since then, thanks to various Government measures and the improved state of the pound, confidence has moved up again. But the recovery has been only partial: the positive balance of businessmen who felt more optimistic in January was only 6 per cent.

This general result fits in well enough with the experience and expectations shown up by the Survey, which suggests that a very gradual increase in business activity has been in progress for some months past. Over the past four months, high percentages of the firms questioned have reported increases in the value of output and total new orders. In the case of output, naturally enough, the increase in volume seems to have been a good deal smaller than that in value. In the case of new orders, the overall increase is much sharper than the increase in domestic orders alone.

Investment When it comes to expectations about the future, however, the response seems to have been rather less enthusiastic. The forecast for new orders over the next four months is slightly down on the October figure and well down on those of April and July 1976. The forecast for output, similarly, is slightly down on the previous figure in terms of value and rather more markedly down in terms of volume. In view of this, it is a welcome surprise to find that plans for new capital investment, especially in plant and machinery, significant.

AFTER three centuries of steady evolution, watch-making has undergone a revolution in just three years. From being a novelty in 1974, digital watches captured a fifth of the U.S. watch market last year, and nearly a tenth of the European business. The best estimate for the U.K. is about 8 per cent. In another three years they may well account for half the U.S. market and over a third of the world total.

The Californian and Texan microelectronics companies which engineered the revolution have applied a typically aggressive pricing policy. The lowest price for a major manufacturer is now just under \$20 in the U.S. market, compared with over \$125 two years ago, and reliable models from lesser-known suppliers can be had for under \$10 if you choose carefully. Even so, the revolutionaries themselves—such as Fairchild and Texas Instruments—have been surprised at their success. So the traditional watchmakers should not be blamed for being caught unawares. As always, the Japanese were the quickest to react. Ricoh led the way, followed rapidly by Seiko, Citizen and Orient. Bulova, number two in the U.S., was not far behind. But the Swiss took longer to accept that digitals were more than just a passing craze. So did the giant of the U.S. and international industry, Timex. (It is generally classed as a U.S. company, though Fred Olsen, of Norway, has a substantial holding.)

Craze is here to stay Everyone but the most specialised, high-price supplier of mechanical watches now accepts that the craze is here to stay, and will continue to re-shape every aspect of the business, from manufacture to retail distribution. The key question is how far the trend will go outside the U.S. This depends on whether European consumers will prove less ready than the U.S. public to accept a digital display of the time. Instead of a face with hands (the so-called analogue display).

Traditional suppliers like the two big Swiss groups (SSIH and ASUAG), as well as the Japanese, are now shipping large quantities of digital watches. But their main strategy is to exploit the accuracy and reliability electronics can offer, while avoiding a head-on clash with the electronics companies. This has led them to replace mechanical springs, cogs and wheels with an electronic brain, but to retain the traditional face and hands. This hybrid is known in the trade as the quartz analogue. Whether the play succeeds depends upon several factors, including a reduction in the price of its mechanical components, and, of course, the preferences of fickle consumers. If in 1974, digital watches captured a fifth of the U.S. market, this will prove profitable since few of the U.S. electronics companies could develop enough expertise in precision mechanics to challenge them—nor would many of the revolutionaries want to stray so far from their own technology. But no-one knows whether European consumers will prove so conservative, hence the extreme unreliability of any market forecasts for this year—much as for 1980 or 1985. If digitals prove as popular as in the U.S., however, the Swiss and the Japanese will be forced into confrontation with the U.S. electronics companies. The traditionalists could then be driven into an ever-declining sector at the upper end of the market. They would not be the only ones to suffer. Many of their traditional retailers, the jewellers, would be forced to leave the watch business completely. Hardest hit of all would be "Times"—unless it bought an electronics company—since it is anchored tightly to the bottom end of the market where competition from digitals will become most fierce.

There are three basic types of electronic watch. All use a battery to oscillate a quartz crystal. Its vibrations are converted into one-second pulses by an integrated circuit the size of a finger-nail. In a quartz analogue watch, the circuit is geared to a small stepping motor, which drives the hands. In both types of digital watch, the circuit directly drives the display.

About a quarter of the digital watches sold in the world last year were LEDs, an abbreviation for the Light Emitting Diode display. It is identical to many calculator displays (which the same U.S. electronics companies mastered several years ago). In which a line of bright red figures is illuminated by the battery. Because of high power consumption, the display has to be left inert until switched on with a button. Prices in Britain now start at just below £10, for a plastic-cased watch with five functions (hours, minutes, seconds, date and day).

The need to use both of one's hands to tell the time has proved less of a deterrent than many companies feared. More serious has been the tendency of batteries to last only a few months, rather than the year claimed by some suppliers. The other display technology is called LCD, or liquid crystal. Providing black or silver letters on a white background, it uses far less power, and so can provide a continuous display. This was the technology used when digital watches were first marketed in 1972. However, serious

Changing sides at the table For the past six years Cyril Coffin has been one of the top civil servants charged with ensuring that the consumer gets good value for money as Under Secretary in the Department of Prices and Consumer Protection. Now he is about to join that growing band of civil servants who have left Whitehall for top jobs in private company Boardrooms or trade associations. In April he is due to take over as director-general of the Food Manufacturing Federation, a post made vacant by the retirement of Freddy Lawton after 23 years in the job.

Coffin maintains that in his experience the food industry by and large has had a consistently responsible attitude towards consumers. Nevertheless, he will now be looking after an association with over 1,000 members which, together with subsidiaries and associates, have a combined turnover of over £4bn, annually—and which has complained increasingly bitterly of declining margins, blaming price controls, alongside higher raw materials, packaging and other costs, for some of its difficulties. Part of the problem, in Coffin's wider view, however, is that the food industry is by its very nature a relatively slow growth industry

quality problems left the products thrown on to the market. A lot of customers have been disappointed by poor quality watches, without after appear in volume from Japan and Switzerland—which prefer sales service. But it is not it to the LED—as well as from just a handful of newcomers the U.S. Timex itself tried some high-priced models last year, and is now quietly putting out every three months signs pointed to excessive power consumption, but the (long-supplier, the Swiss range of established) manufacturer LCDs start in the upper £30s, always tried to blame the claiming better style and battery-maker.

These were the sort of quality problems which beset the LCDs is that no one can pocket calculator business in its guarantee a life of more than early days. As with calculators, five years for the display quality can be expected to

WORLD EXPORTS OF WATCHES AND MOVEMENTS: THE TRADITIONAL LEADERS

	1970	1973	1974	1975
Switzerland	71.4	81.8	84.4	65.3*
Japan	11.4	16.5	18.7	17.0
USSR	10.7	13.0	15.7	16.2
France	5.0	8.4	8.9	10.1
West Germany	4.0	3.8	4.0	3.9
East Germany	2.1	2.0	2.5	2.5
U.K.	0.9	0.8	2.1	1.9
Portugal	—	1.8	1.4	1.6
U.S.	0.2	0.5	0.6	1.1
Total	106.4	131.5	142.0	129.9

* 1975 in 1976. Source: Federation Horlogère Suisse.

DIGITAL WATCH MARKET FORECAST

	1975	1976	1977	1980
North America	3.6	11.7	15.8	36.0
West Europe	0.85	4.3	11.6	33.2
Far East (including Japan)	0.22	1.8	3.2	15.2
Rest of world	0.03	1.3	2.2	10.1
Total digital watch consumption	4.7	19.1	32.8	94.5
Total watch consumption	222.0	237.0	241.0	252.0
Digital share of total market	2%	8%	14%	33%

Source: Forthcoming study by Hugo Buchner, Geneva.

U.K. WATCH MARKET FORECAST

	1975	1976	1977	1980
Mechanical	99.7%	89.1%	70.0%	46.0%
Quartz analogue	—	2.7%	5.0%	14.0%
Digital	0.3%	8.2%	25.0%	40.0%
Total (m. units)	11.0	11.0	11.75	12.5

Source: Economist Intelligence Unit.

because the product is so new. LEDs have also been invisible in the dark without a small back-light, which increased power consumption. The use of (radioactive) tritium for permanent back lighting is now being introduced. Some companies are also experimenting with solar-powered accumulators in place of batteries, but these are much more costly. Mr. Paul Tschudin, vice-president of Ebauches—part of the ASUAG group and Switzerland's largest maker of watch movements—complains that "the digital image has been more than tarnished by some

produced a tiny model by splitting the battery into two, each into the red late last year drawing-pin head. Case design, several other semiconductor companies, to the U.K., Sinclair ran into technical difficulties and the flag is now being carried by a handful of firms including a small north London company, Trafalgar.

One of the ways the Swiss hope to be competitive at profitable prices—which rules out the bottom of the market—is by improving battery life. SSIH plans to offer a three-year battery in 1977. Like the Americans, the Japanese and the lesser-known Swiss assemblers in Hong Kong and Taiwan, the Swiss will also add extra functions to their watches. This is a cheap and relatively easy process with microcircuit technology: stop-watches and calculator-watches are already on the market, and a host of other functions will follow in the next few years, from a personal diary (dates to remember) to even a radiopaging bleeper device.

It is the Swiss who have appeared the worst affected by the advent of digital watches. Over the past two years their share of total world export trade has fallen from nearly half to little more than a third, exports have slumped from \$4m. to \$2m. units, company profits have disappeared and employment has dropped from 80,000 to under 60,000. Many small businesses have been forced to merge. But digitals were only the last straw. Competition from East Europe, the world recession and the continually soaring Swiss franc were already eating into the industry by 1974, as the tables show. The decline appears to be over, for the moment at least, but few companies are profitable and the franc is still causing concern.

This could force the Swiss manufacturers to assemble watches in the Far East. Swiss wage rates are up to ten times as high as those in Hong Kong, which last week claimed to have reached third place in electronic watch exporting after the U.S. and Japan. Labour in Thailand, where Seiko assembles some models, is even cheaper. In the U.S., digitals caused even more of an upheaval. Bulova made heavy losses in 1975 and last year was forced into the arms of a Hong Kong family electronics business, only slightly against Ebauches Stelux, which provided an estimate of 300m. units. Both organisations expect to outclass LEDs by 1980 (by nine-to-one in Europe according to Hugo Buchner) other companies, "and appears to be gearing up for a counter-attack," in the words of a comprehensive report on digital watches by the Economist Intelligence Unit (EIU). Characteristically, Timex has kept quiet about the impact of the digitals on its business, but was forced to cut employment at one of its British factories last autumn. Ebauches agrees that sales of traditional manufacturers (or absolute terms. Whichever you look at, the watch business will never be the same again.

Jewellers' margins The jewellers have been accused by their trade press of burying their heads in the sand and throwing their market away. For some, this may be true, but others have consciously steered clear of product which carries a smaller margin than their predecessors. Some jewellers chains are showing signs of changing their minds, however as even the Swiss recognise that digitals are here to stay. The author of a forthcoming European market study for Hugo Buchner, the Swiss publisher, claims to have support from some leading Swiss companies for his forecast that 38 per cent of the watch market will be digital within three years. This is almost double the figure put forward last week in Ebauches, and is in spite of the fact that Hugo Buchner expert into the arms of a Hong Kong family electronics business, only slightly against Ebauches Stelux, which provided an estimate of 300m. units.

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MEN AND MATTERS

Now the genius show

Outside, evening newspapers were trying to tempt readers with placards declaring "GLC Rate: Good News." And inside one of London's hotels, there was an unaccustomed air of optimism and much self-congratulation. The occasion was the unveiling yesterday of plans for yet one more "British genius" as it were.

It would be ambitious to say that gloomy days are past, but one of the exhibition's leading lights, Sir Fred Catherwood, was certain that the mood of intense pessimism which has gripped Britain for so long was beginning to lift. The important thing now, he said, was to erase the serious loss of self-confidence "which has resulted."

The parade of our collective genius will open in Battersea Park on May 27, with the John Player Foundation (in this year of celebrations, the John Player company is making the most of its own 100th birthday) stumping up £1m. to stage the event. Catherwood, who is in the chair at the British Overseas Trade Board and the British Institute of Management, is chairman of the Battersea affair. When discussions on the genius show started last year, he recalled that he shared his supposition that the British variety really flowered in the Industrial Revolution, but it was eventually decided to cover only the last 100 years. And the exhibition is latching predictably on to the Jubilee theme by concentrating on the last 25 years. As for the contributions of the geniuses there will be reminders of Frank Whittle's jet engine, Barnes Wallis's swing-wing aircraft, J. Lyons and the first commercial computer installation, Alistair Pilkington's float glass,

Christopher Cockerell's Hovercraft, and Alec Issigonis's Mini car.

There are also less tangible attainments to be regarded like the discovery of pulsars and Bannister's four minute mile. And, even if other countries usually end up reaping the manufacturing benefits, British genius goes on: Catherwood said that among the most modern inventions on show will be a "solar eyeball," a cunning lens swivelled by an arrangement of air bags and fluid tubes to track the energy-giving sun automatically across the sky. It was promised that patrons "will be overwhelmed with a completely new audio-visual sensation" which seems to mean, ominously, bags of noise and pictures from all directions. Still, the stress will be on achievement, and entrance will cost £1, an adult head; the Player people are playing safe and reckoning that might mean a small loss when the last genius-spotter has gone home.

Approach 'em up wind

From a Hampshire parish magazine: "You should get a good crop of strawberries from the plants this year. If you can resist eating them all as they ripen, try making whole strawberry jam. The berries should be picked while they are still firm, and care should be taken not to bruise them during preparation. Strawberries need to be stalked very carefully."

STEINBERG GROUP LIMITED

Interim Report 26 weeks to September 25, 1976

	26 weeks to 25.9.76	Half year to 30.9.75	52 weeks to 27.3.76
Group Turnover	9,118	7,487	15,901
Group Operating Profit/(Loss)	102	15	(140)
Estimated Taxation	56	10	(28) (actual)
Profit/(Loss) after taxation	46	5	(112)
Minorities	3	1	(1)
Profit/(Loss) before extraordinary items	43	4	(111)
Less extraordinary items	6	52	54
Profit/(Loss) after extraordinary items	37	(48)	(165)
Retained Profits brought forward from previous year	808	1070	1070
Dividends	840	1022	905
Retained Profits carried forward	39*	39*	102*

* After waivers by the Chairman and his wife.

Earnings / (Deficit) per share 0.3100p 0.0205p (0.5755p) The Directors have decided to pay an interim dividend of 0.32p (0.32p) per share payable on April 7 1977 to ordinary shareholders whose names appear on the Company's register of shareholders at the close of business on February 25 1977. It will be appreciated that under current economic conditions it would be unwise to forecast results for the full year.

European growing pains

By GUY DE JONQUIERES in Brussels

Zurich

THE UNCOMFORTABLE realization is dawning on Governments of the Nine, only six months after they reluctantly agreed to open formal negotiations with Greece on its entry to the EEC, that they may have to deal with an application for membership from Portugal. A formal request may come after the Portuguese Prime Minister, Dr. Mario Soares, has completed his planned tour of European capitals to make his case to national leaders.

It is an open secret that some of them hope that the application will come later rather than sooner. Dr. Soares' first port of call will be London next Monday and Tuesday.

It is generally recognised at the principal Portuguese office in Brussels that the prolonged period of isolation, Mr. Soares and his colleagues are eager to lead their country back into the mainstream of modern Europe and hope thereby to underwrite its infant democracy against the risk of being undermined from Right and Left.

Officially, all Nine acknowledge this to be a legitimate objective and one which they are a moral obligation to assist in attaining—not least because they fear that a rebuff could unbalance the delicate political balance. In the words of Hans-Dietrich Genscher, the German Foreign Minister, the Nine must honour Portugal's European option, enshrined in Article 237 of the Rome Treaty, which permits any European country to apply for membership.

No one has been more vocal in support of Portugal's case than the British Foreign Sec-

retary, Mr. Anthony Crosland. In his keynote speech as incoming president of the Council of Ministers in January he admitted that enlargement would confront the Community with major practical problems, but concluded that it was an investment in the democratic future of Europe, whose long-term benefits would far outweigh the costs.

Mr. Crosland

Mr. Crosland's reasons are not entirely clear, though they probably stem from concern about cementing Portugal's place within the broader framework of the Atlantic Alliance as well as from a fraternal feeling towards other European Social Democrat Governments. More cynical observers suggest that it may also reflect the appeal to the Foreign Office of any action which could bring the EEC's Common Agricultural Policy to its knees.

Other Governments, however, are less sure. The Belgians and Dutch fear that it will be even more difficult to reach decisions in an enlarged Community and insist that before contemplating new admissions the Nine should take urgent steps to put their own house in order. One proposal they favour is that the unanimity rule in the Council should be relaxed to allow more decisions to be taken by a "qualified majority," without any one country being able to apply the veto.

France, which has never been as enthusiastic about Portugal's admission as it has been about that of Greece, has preferred to focus on the economic obstacles. It argues that Portugal is not yet ready to join and will need

many years to build up an industrial base capable of withstanding competition within an industrial common market, even with the benefit of development assistance from the EEC and elsewhere. Ireland, the poorest member of the Community at present, also takes a dim view of enlargement: it fears that it stands to lose most from the admission of even poorer members, with which it will have to compete for the limited EEC financial resources.

The Portuguese themselves admit that integrating their economy into the Community will be no easy task. They have suggested informally that they will need a lengthy 15-year transition period after entry to come up to speed—three times longer than that proposed by Greece. Portugal is the third poorest of the OECD countries after Turkey and Yugoslavia, with a per capita Gross Domestic Product of \$1,517 in 1974, only one-third of the EEC average of \$4,550. Moreover, the gap has almost certainly widened during the past two years. The Nine are acutely aware of the problem that this discrepancy will pose.

With these considerations in mind, the Belgian Foreign Minister, M. Renaat van Elsdande, recently proposed that the Community consider devising some new form of link with Portugal, falling somewhere between full membership and the association agreements at present existing with Greece and Turkey.

One possibility, he said, would be to include Portugal in the political co-operation sessions at which EEC Ministers discuss ways of concerting their foreign policies without attempting to reach Community decisions.

Since it began negotiating, the Greek Government has been briefed on these discussions, though it has not been invited to attend them.

But at the European Commission, which will have to prepare an opinion on Portugal's application before it is considered by the Council of Ministers, this idea has been greeted with some scepticism. It is felt that anything less than the promise of full membership would disappoint Portugal's political requirements and could result in an awkwardly ambiguous working relationship. Another problem is that the Treaty of Rome provides for no formal link other than association or full membership.

Alternatively, Portugal might be offered a "pre-membership" status with a firm commitment to full membership after a specified period. That was recommended a year ago for Greece, but later overruled by the Council of Ministers under heavy pressure from Athens.

But the Portuguese appear content with the idea. The Commission is hesitant about putting it forward again in case it is turned down by member Governments on the grounds that Portugal cannot be expected to accept what Greece flatly rejected.

likely to submit in early summer, soon after its national elections.

Though less problematic in certain respects than those of Greece or Portugal, Spain's prospective application seems certain to throw into even sharper relief many of the still unanswered questions about how an enlarged Community will operate. With a population of roughly 35m., twice that of the two smaller countries combined, and a gross domestic product of more than \$85bn., the eighth largest in the industrialised West, the impact of its entry will be felt more immediately and more profoundly.

Many people in Brussels frankly doubt whether the Common Agricultural Policy, already creaking, can withstand the effect of Spain's entry, unless it is radically modified in ways which will displace other EEC farmers. Spain is a major producer of wine and horticultural products, of which the EEC already suffers a glut, and its citrus will provide an welcome competition for Italian farmers.

Though industrially more advanced than either Greece or Portugal, Spain will no doubt just as vociferously seek a transfer of resources from the richer members to speed its economic development. But the EEC Regional and Social Funds and the guidance section of the Farm Fund are inadequate even for the needs of the existing Community. Without a substantial increase of the available resources the divergent economic trends threatening to divide the EEC into two camps will be aggravated. But Germany, while enthusiastically supporting the principle of enlargement, has given no sign that it is ready to



Three Premiers on the Community doorstep. From left to right: Suarez of Spain, Karamanlis of Greece, and Soares of Portugal

shoulder the costs.

All three potential new entrants are likely to have difficulty coping with imports from the developing world which enter the EEC on preferential terms under its elaborate system of external commercial agreements. How, for example, will the Greek textile industry fare, once shorn of its protected home market? Such considerations can only complicate the task of forging a united EEC front in future GATT trade talks and negotiations on economic relations between the industrialised and developing countries.

Politically, the EEC has yet to assess the implications of Greek membership for its external policies towards Turkey and Cyprus. Relations with Turkey have cooled perceptibly since the start of the Greek negotiations. Though there has been an improvement of late, it is admitted, once Greece is admitted it will be difficult for the Community to maintain an even-handed approach towards the eastern Mediterranean. Equally, the task of coordinating the EEC Governments' policies towards the Middle East—an area in which the Nine have displayed cohesive-

ness, if no great effectiveness—is likely to run up against a serious problem because Spain, like Turkey, refuses to recognise Israel diplomatically.

Internally, the EEC must decide whether it can fairly apply such policies as its rules on competition with equal severity to its new entrants as to those economically more developed, or how the Nine, with high unemployment of their own, will respond to a flow of immigrant labour from a new member State into their territory, or indeed, how the Community's basic administration will adapt to nine national languages rather than six.

Spain

No attempt has been made so far to seek solutions to any of the broader problems posed by enlargement. But the Greek Government is clearly worried that its application will be down once the EEC starts to consider applications from Portugal and Spain. Athens recently dismissed its original team of negotiators, apparently because it felt that their determination to extract as many economic concessions as possible was slowing the pace of negotiations.

The fear in Brussels now is that Greece will accept any terms just to gain entry, knowing that it can always seek renegotiation later.

As every week passes, however, it will become more difficult for the Greeks to claim that their application must be considered separately from the others, and the case for the EEC to define an overall strategy towards enlargement will become more plausible. Such a strategy would look forward to the eventual possibility of a membership application by Turkey sometime after 1980, as is provided for in its association agreement. Some people in the Commission see an opportunity to initiate the kind of thoroughgoing debate about the EEC's fundamental aims and purposes which Governments have so far been unwilling to undertake. That may be a rather optimistic ambition. But it seems clear that enlargement will introduce far-reaching change into the Community. If Governments are to control that change rather than react to it, they must soon begin a serious examination of the likely consequences.

Letters to the Editor

Effects of Bullock

The Chairman, Photographic

The problem upon reading the Bullock report is to avoid becoming incoherent with frustration, as the only true way to deal with it is to write one of equal length and deal with it item by item. This is impractical, however, and I therefore choose to deal with one fundamental issue, the consequences of which seem to have been ignored. What is the effect of imposing this particular mathematical formula on highly successful companies? I would like to take my own as an example. In 29 years we have grown from a staff of two to nearly 100. We are a multi-national company which contributes substantially to the economic objectives of this country. We have always enjoyed excellent industrial relations and have never met a day's output through disputes. We are and are adapting further, very progress. Our directors are full-time executives with the exception of the president (who only contributes 50 years of commercial experience at Board meetings), and in our investment decisions we have always applied the maximum resources available. Our dividend policy has been modest to the point of criticism.

Our board members 13, each managing director of a subsidiary or heading a group division. I don't know how many of the members of the Board of the Bullock Committee have ever attended a commercial board meeting. I can assure them that dividends and redundancies constitute a rare and insignificant part of our discussions. Time spent in our meetings is on the gritty business of running the business and on the complex inter-relationship of management decisions—buying, selling, planning, selling. In all these matters individual members have consulted conscientiously with their own teams, and the group as a whole is intensely concentrated and professional. We all work absurdly long hours. With the exception of myself and two or three directors, the majority of the board are not substantial shareholders, but notwithstanding they identify themselves completely with the company, and we do not draw any distinction between the company and its employees.

We are an integrated group which does not seek conflicts, and here they are present because of the fundamental philosophy of capitalism, we seek by practical means to reduce the problems. Of all the grades it is major management who have offered the most financially over the last few years. This is a well known fact, the details do not have to be gone into. If it were only alone, my Board would have been on strike a long time ago. Their motivations for work involvement are personal to each of them, but one would assume that a major part of that attitude is based on pride and an exercise of authority, with an ability to get things done and financial affairs—characteristics common to both politicians, trade unionists and most developed firms.

We are committed to the idea of extending participation and would indeed welcome representation on our various committees which is working towards these ends. Thus can it seriously be intelligent to remove seven of our directors and replace them with employees without experience (notwithstanding the three outsiders)? Where do these outsiders come from? How do

we find them? By advertisement? How can they be expected to make a contribution which is superior to that which exists? What does the word "approval" mean? Our Board is not a balancing act. Consensus is reached, not by dogma, but by intellectual argument. Nobody represents anything other than the search for the best path. What are the seven directors who go to the board doing? Without their motivation can one really expect their performance to be equal?

How will the remaining directors accept seven new directors with whom they have never worked before? An essence of commercial life is continuity. What happens to that? Lord Bullock has created a mathematical formula which if applied to commercial companies, would be insane. There is no other word. It would destroy the fabric of our Board and, I believe, the majority of other industries of this country.

For myself, this is the first cause for which I would be prepared to go to the barricades, and I am unsuccessful in exile. The nightmarish dimensions of Bullock and the effect they will have over managements during the next few months, are going to cost the country dearly. Once again managements' energies and efforts are being distracted from the task ahead by the threat they face in entering into a new Kafka-like world. Let there be no doubt that the Bullock report will have an effect immediately, strongly and to the total detriment of the country, and it needs an immediate assurance from the Prime Minister that industrial democracy, with which we all agree and which has nothing to do with Bullock, is not going to be the excuse to impose this destructive political system.

Stanley Kalms, Diron House, 18-24, High Street, Edgware, Middlesex.

Responsibility and power

From Mr. P. Brooke.

Sir—The kind of arguments that have so far been raised against the Bullock report show how bad British managerial thinking is and how badly it needs just the kind of shake-up Bullock is proposing.

The problem is that there is a continual fight between management and unions in industry, with the result that management can't manage, profit margins fall, workers have to be laid off and wages can't increase. Neither side gets what it wants.

What is needed is a substantial change in attitude on the part of the workforce and this is not going to be achieved—as many right wing economists like to imagine—by their relinquishing the power they have already gained through the unions. It can only be gained through their assuming the responsibility that goes with the power they have already got. And that is what Bullock proposes.

It is absurd to say that Bullock is offering them power without responsibility, since that is precisely what they have at the moment. It is absurd to recommend that worker directors should be in a minority on the Board, since, if they are in a minority, there will be no need for them to change their currently negative attitude to the need for profitability. The most doubtful part of Bullock is the "X + Y" element which, according to his report, is likely to be weighted in favour of the shareholders. It is dishonest to create the impression that the "2X + Y" formula is going to be statutorily imposed on all large firms, when Bullock is clear that a

Industrial democracy

From Mr. J. Sim.

Sir—The Bullock Report takes 166 pages to explain why a particular solution to industrial democracy is favoured by a majority of that committee. What it fails to do is to highlight in simple terms what is being recommended. Can I try to do this?

The main point at issue is a simple one—who is to control British industry, trade unions or managers? The Bullock proposals make trade union control an absolute certainty. Let me explain (page 103 of the report): In a company with under 10,000 employees it is recommended that there should be 11 directors (four union, four shareholders and three others). If the agreement cannot be reached on who the three others are then the Industrial Democracy Committee will nominate them. The only logical outcome is a compromise, with one seat going to each of the two sectional interests and the third going to a Left-wing candidate when Labour is in power and the opposite if the Conservatives are in Government. (The composition of these committees always reflect their political masters.) It is obvious therefore that under a Labour Government the Board of directors will be given six trade union seats which will ensure effective trade union control of that company.

The alternative is equally obvious. If it is considered that Board level involvement by employees is desirable, but that trade union control is not wanted, then there is only one solution—to leave managers, that is, directors, in charge. Employee representatives are, of course, then in the minority—with, say, one-third of the Board seats. What is wrong with this? The voice of employees can be heard effectively and if their viewpoint is not upheld the collective bargaining machinery is available as a back-stop. Even the Bullock recommendations do not see this being changed.

I hope I have made it clear that the main issue is a simple one—whether it is a good or bad thing to have employee directors on Boards, but who is best fitted to control British industry. No other country in the world has given this degree of control to their trade unions and I imagine that we would fall even further behind economically if we were foolish enough to allow this to happen.

J. R. Sim, Langmead, Mill Lane, Gerrards Cross, Bucks.

Steam generator testing

From Mr. R. Whyte.

Sir—The suggestion that Parsons should be financially liable for the costs of the Drax generator rotor troubles (January 28) needs careful examination. Whenever possible before any advanced mechanical engineering product is put on the market it is subjected to lengthy periods of prototype testing and because the service load histories can vary widely in different applications, the desired degree of reliability can only be established after several years in the field on different applications. This is the long established practice for aero engines, diesel engines, boiler feed pumps, etc. Practice has been impossible for steam generating sets since c.1914 due to their increasing size. Thus the power station becomes the effective test bed for all prototype steam generating sets and the Central Electricity Generating Board dictate the size and conditions of the new equipment they also dictate the degree of extrapolation beyond existing engineering knowledge and experience.

Experience over the last fifty years in the U.K., Europe, and the U.S. shows that each step up in size of steam generator sets brings its own crop of development problems. Up to the size of 100 MW and protected at that time by the British Electrical and Allied Manufacturers Association prices the best manufacturers survived and carried the costs of these development problems. Present day prices are now negotiated with the monopoly customer (CEGB) and have not increased as would be expected on account of the very much larger risks and liabilities involved in the 500 MW and 660 MW sets and take no account of possible consequential costs.

Fatigue failures arising from vibrations are perhaps the main cause of the development problems and the difficulty (impossibility) of predicting the incidence of high strain low cycle fatigue is well known. Fatigue problems may and do occur at any time in the life of a generating plant.

In these circumstances to ask a manufacturer to be responsible for consequential damages on a new larger size of generating plant (a size dictated by the customer) which must involve unknown risks and which he has no possibility of testing in his own factory seems a slow but sure way of killing off an industry.

R. R. Whyte, Lisheen, Benthick Road, Atrincham, Cheshire.

To-day's Events

GENERAL

The Queen and Duke of Edinburgh leave this evening for Silver Jubilee tour of Western Samoa, Tonga, Fiji, New Zealand, Australia and Papua New Guinea.

Treasury issues figures of Central Government financial transactions, including borrowing requirement, for January.

TUC Economic Committee meets.

European Court of Human Rights, Strasbourg, ends first session on allegations by Ireland of brutality to IRA prisoners by security forces in Ulster.

Mr. Peter Shore, Environment Secretary, scheduled to meet Japanese negotiators on proposed Anglo-French contract to process spent nuclear fuel.

Two-day meeting of Organisation for Economic Co-operation and Development ends, Paris.

CBI Employment Policy Committee meets.

European Council of Ministers, Luxembourg, ends two-day World Banking conference, London Hilton, W.1.

Prime Minister opens "Sound-barrier" conference on deafness, Grosvenor House, W.1.

Mr. Roy Rattersley, Prices Secretary, speaks at U.S. Chamber of Commerce lunch, Savoy Hotel, W.C.2.

Mr. John Silkin, Minister of Agriculture, visits North Sea fishing grounds on frigate HMS Cleopatra.

Mr. William Whitelaw, deputy leader of Opposition, addresses Working Conservative women's conference.

PARLIAMENTARY BUSINESS

House of Commons: Debates on child benefit scheme and on issue of 714 Certificates for self-employed. Proceedings on Rent (Agriculture) Amendment Bill.

House of Lords: Debate on society's attitude to industry.

Select Committees: Expenditure (Trade and Industry) sub-committee. Subject: Fishing Industry. Witnesses: local fishermen, England and Wales (10.15 a.m., Room 16). Nationalised Industries (sub-committee) C. Subject: Horse-race Totalisator Board. Witnesses: The Board (4 p.m., Room 8). Expenditure (Social Services and Employment) sub-committee. Subject: Job-creation programme. Witnesses: Department of Employment and Manpower Services Commission (4.30 p.m., Room 13).

OFFICIAL STATISTICS

Housing starts, completions and grants (December). Slum clearance (4th quarter).

COMPANY RESULTS

Trust Houses Forte (full year).

COMPANY MEETINGS

Electronic Machine, Winchester House, E.C. 12, Redfern National Glass, York, 12, Westland Aircraft, Hyde Park Hotel, S.W., 12.

OPERA

English National Opera production of The Royal Hunt of the Sun, Coliseum Theatre, W.C.2, 7.30 p.m.

THEATRE

Revival of Sean O'Casey's The Silver Tassie, Theatre Royal, Stratford, E.15.

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The main point at issue is a simple one—who is to control British industry, trade unions or managers? The Bullock proposals make trade union control an absolute certainty. Let me explain (page 103 of the report): In a company with under 10,000 employees it is recommended that there should be 11 directors (four union, four shareholders and three others). If the agreement cannot be reached on who the three others are then the Industrial Democracy Committee will nominate them. The only logical outcome is a compromise, with one seat going to each of the two sectional interests and the third going to a Left-wing candidate when Labour is in power and the opposite if the Conservatives are in Government. (The composition of these committees always reflect their political masters.) It is obvious therefore that under a Labour Government the Board of directors will be given six trade union seats which will ensure effective trade union control of that company.

The alternative is equally obvious. If it is considered that Board level involvement by employees is desirable, but that trade union control is not wanted, then there is only one solution—to leave managers, that is, directors, in charge. Employee representatives are, of course, then in the minority—with, say, one-third of the Board seats. What is wrong with this? The voice of employees can be heard effectively and if their viewpoint is not upheld the collective bargaining machinery is available as a back-stop. Even the Bullock recommendations do not see this being changed.

I hope I have made it clear that the main issue is a simple one—whether it is a good or bad thing to have employee directors on Boards, but who is best fitted to control British industry. No other country in the world has given this degree of control to their trade unions and I imagine that we would fall even further behind economically if we were foolish enough to allow this to happen.

J. R. Sim, Langmead, Mill Lane, Gerrards Cross, Bucks.

Steam generator testing

From Mr. R. Whyte.

Sir—The suggestion that Parsons should be financially liable for the costs of the Drax generator rotor troubles (January 28) needs careful examination. Whenever possible before any advanced mechanical engineering product is put on the market it is subjected to lengthy periods of prototype testing and because the service load histories can vary widely in different applications, the desired degree of reliability can only be established after several years in the field on different applications. This is the long established practice for aero engines, diesel engines, boiler feed pumps, etc. Practice has been impossible for steam generating sets since c.1914 due to their increasing size. Thus the power station becomes the effective test bed for all prototype steam generating sets and the Central Electricity Generating Board dictate the size and conditions of the new equipment they also dictate the degree of extrapolation beyond existing engineering knowledge and experience.

Experience over the last fifty years in the U.K., Europe, and the U.S. shows that each step up in size of steam generator sets brings its own crop of development problems. Up to the size of 100 MW and protected at that time by the British Electrical and Allied Manufacturers Association prices the best manufacturers survived and carried the costs of these development problems. Present day prices are now negotiated with the monopoly customer (CEGB) and have not increased as would be expected on account of the very much larger risks and liabilities involved in the 500 MW and 660 MW sets and take no account of possible consequential costs.

Fatigue failures arising from vibrations are perhaps the main cause of the development problems and the difficulty (impossibility) of predicting the incidence of high strain low cycle fatigue is well known. Fatigue problems may and do occur at any time in the life of a generating plant.

In these circumstances to ask a manufacturer to be responsible for consequential damages on a new larger size of generating plant (a size dictated by the customer) which must involve unknown risks and which he has no possibility of testing in his own factory seems a slow but sure way of killing off an industry.

R. R. Whyte, Lisheen, Benthick Road, Atrincham, Cheshire.

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NET FINANCIAL AND COMPANY NEWS

CII-HONEYWELL BULL

Sales in a European context

BY DAVID CURRY

PARIS, Feb. 8.

SIX-month-old Franco-American computer group CII-Honeywell Bull to-day announced that it had booked Frs.3.4bn. in 1976 and that its order book at the end of last year stood at Frs.3bn. Net group profits were Frs.574m. while cash was Frs.522m.



Mr. J. P. Brulé

present 12 months Honeywell figures and six months of merged CII operations. Consolidated revenues for the year were Frs.3.11bn. of which 40 per cent was with direct

clients and users divided equally between home and export market. These revenues came 51 per cent from equipment sales and the remainder from services and rentals.

The new computer group, Europe's biggest and claiming to be second only to IBM in the world, represents the concern of the French State to create an international competitor in the computer field. Its target is to overhaul IBM in the French market, towards which the government has undertaken to order some Frs. 4bn. of equipment from it in the four years to 1980 out of an estimated total public sector requirement for Frs.9bn.

In addition, over the same period some Frs.1.2bn. in direct aid will be forthcoming. The initial aid was Frs.500m., part of which, together with previous assistance, went to CII in the pre-merger period. Another Frs.250m. has been included as part of this first tranche of aid which will be included in 1977 income. That will leave Frs.700m. to be shelved out in diminishing tranches between March 1977 and March 1980.

The partnership with Honeywell followed the attempt to create a European computer group Unidata through a loose association of Siemens, Philips and CII. The French withdrawal of CII led to the break up of Unidata, though the French maintain in reply to comments about the inconsistency and pragmatic nature of their European "vacation" that the CII withdrawal was the occasion rather

than the cause of the Unidata collapse.

As is normally demanded in Franco-American ventures put together to give an entree to the American market for French products and make available American technology to French industry, the shareholding ensures ultimate French control. CII-Honeywell Bull is 53 per cent held by Compagnie des Machines Bull, which, in its turn, is 17 per cent state owned, 77 per cent owned by the plant electrical group CGE, and the rest in the hands of the public. The remaining 47 per cent in CII-Honeywell Bull is held by Honeywell Information Systems, a full subsidiary of Honeywell Inc. apart from a 11.7 per cent General Electric stake. Honeywell Information Systems is the industrial and commercial associate of the merged concern, the two groups being linked by a free cross-licensing agreement.

Introducing the results M. Jean Pierre Brulé, chairman and managing director, said that all initial targets had been met. In particular he noted the shipment of more than 100 units of the level 64 computer to the U.S. while Honeywell Information Systems' announcement of the models 64/30 and 64/50 promised further success in that market.

CII Honeywell Bull also took over the maintenance and development of the Xerox installed base in the countries covered by its French and Unidata, though the French national network when Xerox opted out of data processing.

In September the newly merged concern announced its intention to "converge" several product lines in a plan code-named "Unisys" which will, according to M. Brulé, make over 1982-83 a unified range of computers available to clients.

It was also announced that M. Robert Gest, the company's general manager, is leaving in the spring to be general manager of the CGE group concern Sintra. He will presumably have a leading hand in developing CGE's electronics and computer-related activities, and the mentioned without spelling anything out the possibility of co-operation between the two groups.

M. Gest became CII chairman in May, 1975, to pilot the merger through and says that he is leaving because he has done the job he was asked to do.

Paul Betts writes from Rome: Honeywell's Italian subsidiary—Honeywell Information System Italia (HISI)—has reported a 30.7 per cent increase in turnover last year compared to 1975. Last year the company's turnover totalled L123.3bn. (about \$82.2m.) as against L90.2bn. (about \$60.1m.) the previous year.

Domestic sales increased by 20.4 per cent from L67.1bn. (about \$44.7m.) in 1975 to L90.8bn. (about \$63.9m.) last year, while foreign sales rose by 84 per cent from L23.1bn. (about \$15.4m.) to L42.5bn. (about \$28.3m.).

These results were mainly achieved thanks to overseas sales, particularly in the U.S., of the company's "Honeywell 62" computer, devised at HISI's Pergana Milanese Centre and which are built at the HISI plant at Galuso.

Finnish bank profit declines

by Lance Keyworth

HELSINKI, Feb. 8.

ION BANK OF Finland, one of the two biggest commercial banks in the country, showed a fall of Frs.464m. (\$7.1m) in December, 1976 (exchange rate in \$/Fm) 1976. This was Frs.31m. less than the year before.

The balance sheet total was Frs.26.4bn. (\$1.97bn.) versus Frs.21.7bn. in 1975. The year result was due to the growth of both deposit and lending business.

In order to support the production activity of its corporate clients, Union Bank had to resort to central bank credit and the money market throughout the year the total interest paid on this borrowing was Frs.17.8bn. of which Frs.5.8bn. is a penalty interest for exceeding its borrowing quotas fixed by Bank of Finland. The result is that net interest income rose by only Frs.12m. to Frs.316m.

Receivables in foreign currencies at the end of 1976 totalled Frs.2.4bn. while the corresponding liabilities stood at Frs.2.5bn. Flings on foreign exchange declined somewhat to Frs.2m.

The bank opened a subsidiary bank, Union Bank of Finland in Luxembourg towards the end of 1976, and Scandinavian Bank Ltd., London, in which Union Bank is a shareholder, opened an office in Bahrain.

Banking business in Finland has been beset by an extremely tight money market for over two years now. Mr. Mika Tiivola, general manager of Union Bank, noted in his preliminary report: "An easing of the money market is not possible for the time being."

OV NOKIA AB will probably pay its dividend for fiscal 1976 of 10 per cent in cash. According to the preliminary report, sales of the parent company increased by 7.4 per cent to Frs.1.77bn. in 1976, at the December 1976 change rate. Including subsidiaries, the consolidated result showed an increase in turnover of 1 per cent to Frs.2.13bn. (\$5m.).

Nokia's forest industry division worked at only 60-70 per cent of capacity in 1976. Because of stagnant export prices, rising costs at home, profit margins weakened and the result for the year was a loss.

Japan research predicts overall profit slowdown

TOKYO, Feb. 8.

RESEARCH INSTITUTES here predict that profits and sales for major Japanese companies in the current half year ending in March will gain substantially from the previous six months ending in September, but that the overall rate of increase will slow compared with the prior period, the Asian Wall Street Journal reported.

Nomura Research Institute predicts a 23.9 per cent rise in current profits for the six months ending in March from the previous six months. Wako Securities sees a 22.7 per cent rise for the same period, with Yamaichi Research Institute expecting a gain of 22.4 per cent.

The rise in after-tax profits is forecast at 42.8 per cent, by Nomura, 36.5 by Wako and 35.4 by Yamaichi. Sales increases of 6.6 per cent are being predicted by Nomura, 6.7 per cent by Wako and 7.2 per cent by Yamaichi. Current profit for Japanese companies represents results from operating and non-operating activities. After-tax profits reflect those results, any special profits or losses, and taxes.

Nomura expects large profit increases for the six months ending in March in the steel, electric power and trading industries. On the other hand, it predicts that the textile, oil, marine product, mining, shipping, land transportation, metal product, communication and broadcasting and service industries will show lower current profits.

The institute also predicts that there will not be any industries that post losses on the average. In the previous term, the non-ferrous metal industry was losing money and in the term ending in March 1976, the textile, oil, non-ferrous metal and shipping industries were showing deficits.

Overall, Nomura forecast that companies' current profits would recover to 85 per cent of the peak recorded in the same six-month period of September 1973.

Wako's more pessimistic outlook predicts that auto-related industries will show lower current profits together with other transport, machinery, shipping, oil, railroad, mining and communication firms. It says one out of 13 companies will lose money compared with one out of four companies in the March term of 1976 and one out of six in the September term of 1976.

Wako analysts cited a gloomy outlook for export products such as electric appliances and steel materials, stagnant plans regarding plant and equipment investments, and sluggish personal consumption.

Yamaichi says six-month profits for the food, auto, car parts and telecommunication industries have already exceeded their peak and that the electric appliance and precision machinery industries will exceed their peak profits in the current six-month period.

Banking sector firms after Rand Bank-Glen Anil shock

JOHANNESBURG, Feb. 8.

ALTHOUGH the decision to put the failed township developer Glen Anil into liquidation and related appointment of a curator to its creditors, Rand Bank, were widely expected in Johannesburg financial circles, the news of these two collapses within 48 hours of each other caused widespread fears of a ripple effect on other property companies and minor banks, perhaps resulting in a full-scale crisis akin to the U.K. fringe banks collapse.

However, not just because a week has passed without any one else going under, hopes are now growing that the problems can be contained and a degree of confidence is returning.

Bank shares have generally recovered on the Johannesburg stock exchange. Though with drawn deposits among the smaller banks remains a difficulty. The authorities appear determined that no further bank failures should be allowed and one solution is likely to be an increase in merger activity in the months ahead. There are 14 quoted regional banks but the sector is dominated by Barclays National, Standard, Volkskas, Ned Bank and Trust Bank.

A number of the smaller banks are controlled by the insurance group, SANLAM, whose assets total R1.15bn. and which followed a policy of backing Afrikaner banking entrepreneurs while also being the biggest shareholder in Volkskas. Current speculation is that some of its smaller institutions could be merged together or with Volkskas.

The Minister of Finance, Mr. Owen Horwood confirmed in the debate this week on the Finance Appropriations Bill that the eight-member banking consortium which was owed money by Glen Anil submitted a plan to the government at the end of last year. This requested a state guarantee for the banks claim on the company, totalling R100m. in return for which the banks would cede their security and extend their moratorium. Mr. Horwood said a government guarantee of R5m. was advanced as an interim measure to keep Glen Anil alive while the government investigated the company. Eventually it was decided that the consortium's proposals could not be accepted because there was no certainty that Glen Anil

could be saved even with the large-scale aid proposed.

One important factor in the improved atmosphere has been a quoted savings bank, Trust Bank, which, with loans to Glen Anil of R30.7m. had more at stake than any of the banks, that it is assured of a surplus on its security. The bank said the bulk of its commitment is covered by first mortgage bonds and the balance by cash and companies sales contracts. This means that the great part of this involvement can be recouped through the bank's own countryside collections system. Trust Bank shares rallied from 45 cents to 52 cents but still yield 13.5 per cent.

Most of the rest of the Glen Anil liabilities are spread among the major banks which are well able to withstand losses.

For the property sector as a whole, the liquidity of three or four of the biggest companies can be considered dubious, but all are minor and their demise would have relatively little impact, while problems appear likely to be confined to the beleaguered township developers rather than central business district developers. The market, as a whole, which fell on the initial Rand Bank-Glen Anil collapses, has steadied at the lower levels with the Rand Daily Mail index now 180 while Securities Rands have risen 5 cents to U.S. 70 cents.

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MINING SUPPLIES LIMITED

Firm indications at end of half-year

5 week period ended	30th Oct. 1976	25th Oct. 1975
Sales	£5,798,000	£5,934,000
Consolidated trading profit before taxation (Note 1)	507,000	685,000
Taxation (Note 2)	279,000	367,000
Consolidated profit after taxation	£228,000	£318,000

(Figures subject to year-end audit)

The consolidated trading profit before taxation is after charging depreciation of £199,000 (1975: £150,000).

The provision for taxation has been calculated at 52% on the trading profit for the period as required for taxation purposes.

The results for the first 26 weeks are slightly less than the corresponding period last year, due principally to a reduction in orders from the N.C.B. in the first 13 weeks, which also covered summer holidays. The second 13 weeks recovered to a record turnover which continues at that level with a firm indication of a further advance on new designed products. Our Directors are continuing for the time being the policy of paying a final dividend only.

A. Snipe—Chairman

Losinger warning

BY JOHN WICKS

ZURICH, Feb. 8.

DUE to pressure on profits for the year, shareholders of the Bernese building concern Losinger Bern are advised in an interim report to expect a reduction of dividend for 1976. In 1975, Losinger had distributed Sw.Frs.40 per old share and Sw.Frs.20 per new share.

Last year, the Losinger group had turnover of some Frs. 500m. This is rather higher than the Sw.Frs.491m. recorded for 1975 but below the budgeted figure of Sw.Frs.512m. Foreign business accounted for one-third of 1976 turnover and was deliberately developed, says the interim statement. However, foreign operations are in the short-term no replacement for unsatisfactory domestic business, it is stated.

For 1977 Losinger expects a

further slight increase in turnover, with the growth being provided wholly by foreign operations. New orders received last year were of Sw.Frs.470m. or more than the Sw.Frs.450m. reckoned with, and orders on hand amount to a value of Sw.Frs.475m. and guarantee sufficient employment for the first half of this year.

SULZER BROTHERS of Winterthur, the Swiss engineering concern, announces plans to retrench its operations at the Filderstadt rotary knitting-machine plant of its German subsidiary Sulzer Morat GmbH near Stuttgart. Negotiations are taking place with representatives of the approximately 700 employees of the Filderstadt works, which has experienced heavy losses in recent years.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

General Motors earnings jump by \$1.7bn.

BY JAY PALMER

BENEFITING from the year-long swing back in U.S. demand for larger vehicles and its sharply increased market share, General Motors, the largest of America's three major car makers, has reported all-time record sales and net earnings for 1976.

The car giant's sales over the full year rose 32 per cent to \$47.2bn, from \$35.7bn in 1975. Net earnings jumped 142 per cent to \$2.9bn, or \$10.08 a share from \$1.2bn, or \$4.32 a share.

Like the other car makers which will be reporting earnings later this week, GM has arguably had an excellent year.



Mr. T. A. Murphy, chairman

World wide deliveries of cars and lorries rose 29 per cent to 8.57m from 6.6m, while net margins leapt up from the depressed 1975 level of 3.5 per cent, to a more normal 6.2 per cent.

NEW YORK, Feb. 8.

THE MOTOR retailing group Curries' Motors, which holds the General Motors franchise in various parts of South Africa, has reported a sharp drop in profits over the six months to end-December, with a fall at the pre-tax level from R1.5m. to R0.5m.

At the net attributable level, the fall was from R0.8m. to R0.4m, and earnings per share were down from 36 cents to 19 cents for the full year. The board has warned that last year's 40 cents may not be maintained.

Even though the second half of the year is traditionally better for profits, in fact, unless a more realistic approach to pricing in the retail trade is adopted, second half profits may decline further.

Recently released figures for the motor trade showed a decline

Decline in interim profits at Curries'

BY RICHARD ROLFE

JOHANNESBURG, Feb. 8.

THE MOTOR retailing group Curries' Motors, which holds the General Motors franchise in various parts of South Africa, has reported a sharp drop in profits over the six months to end-December, with a fall at the pre-tax level from R1.5m. to R0.5m.

of 19 per cent in new passenger car sales in 1976 and of 14.5 per cent in commercials. General Motors, with its predominantly large models, reflected this decline to the full. Sharply higher petrol costs and restrictions on weekend motoring in the Republic (where filling stations are closed from Friday noon to Monday morning) have led to a swing in taste towards smaller models from Datsun and Volkswagens.

Curries' shares at 230 cents reflect the woes of the motor sector, yet since an historic 17 per cent rise in General Motors has responded to changed motoring requirements with a small model, the Chevrolet, but relief for distributors' profits seems unlikely to materialise until there is a definite sign of economic recovery.

Austrian funds to benefit from new subsidy policy

BY PAUL LENDVAI

VIENNA, Feb. 8

THE AUSTRIAN investment funds, particularly those engaged in fixed interest securities, are expected to profit from the recent changes aimed at reducing State subsidies for contractual savings. These include a reduction of the tax rebates on federal bonds and state subsidies for premium savings deposits.

This was stressed here at a press conference by spokesmen for Sparinvest Ges. M.B.H., the largest group handling four mutual funds with a market share of 69.7 per cent. Assets of all Austrian investment funds rose only slightly from Sch. 3.35bn. to Sch.3.4bn. last year. The Sparinvest group reported an increase of 7.3 per cent to Sch.2.4bn. The year 1976 was the first since 1973 when more new investment certificates were purchased than returned to the fund.

Combirent, belonging to the group, concentrating on Austrian fixed interest securities (86.4 per cent of its total assets) reported a 20 per cent rise in turnover to 4,997m. certificates. The market value per certificate was up by 10.8 per cent, the hitherto best annual result. Total assets of Combirent between November 1975 and November 1976 were up by 32.3 per cent, to Sch.924m. During the previous year, the rate of increase was only 8.9 per cent. An unchanged dividend of Sch.18 is paid per certificate, which is equivalent to a yield of 6.2 per cent annum.

The dominating position of federal issues of the Austrian capital market has complicated investment policies. However, the interest rate structure of the fund improved, with 47 per cent of bonds having an 8.5 per cent, or more nominal interest as against a share of 36 per cent a year earlier.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Table listing various Eurodollar bond prices and mid-day indications, including columns for bond type, price, and other indicators.

No comment on Krupp, Cartel reports

ESSEN, Feb. 8.

FRIED. KRUPP and the Federal Cartel Office in Berlin declined to comment on German Press reports that Krupp would have to cut its holding in a firm making steam boilers because of a recently agreed Iranian stake in Krupp, reports Reuter.

According to the reports, the Cartel Office intended to make its approval of Krupp's deal with Iran conditional on the company selling all or part of its interest in Ery.

Bamford abandons Poclair plan

Mr. Anthony Bamford, chairman and managing director of J. C. Bamford, to-day said that the Reicester, Staffordshire, firm had had to withdraw its plans to form a consortium to acquire a major stake in Poclair, the French excavator manufacturer, reports U.N.S. "The fact is," he said, "that we have arrived at the point where a good deal of essential information is needed for us to make further progress. We have had considerable help from the French and British Government departments and from the banks. Poclair, however, do not feel able to make this data available to us."

Creusot sales up Creusot-Loire SA reports 1976 turnover of Frs.4,998m. (Frs.4.53bn.), reports Reuter from Paris. Results have not yet been drawn up, but it is expected cash flow will be much lower than the Frs.212m. in 1975, although still positive.

Pertamina debts

The Indonesian Government has paid off short-term debts of the State-owned Pertamina Oil Company amounting to \$1.2bn. Central Bank Governor Rahmat Saleh said in Jakarta, reports Reuter. Pertamina still has long-term debts of \$2bn, excluding arrears on hire purchase and charter of tankers, he told parliament.

DUTCH COMPANIES Survey anticipates improved results

BY MICHAEL VAN OS

AMSTERDAM, Feb. 8.

THE 1976 annual reports of the companies officially quoted in the domestic sector of the Amsterdam Stock Exchange should make "less depressing reading" than the 1975 reports, says a survey published here by Amro Bank.

It adds that the previous year, in fact, has gone down in history as the one which witnessed the most serious economic setbacks since the 1930s. But of the total number of companies included in the review, over half expect "higher" results for 1976.

The "higher" category not only includes companies which booked higher earnings compared with the strongly depressed level in 1975, but also mentions those businesses which managed to reduce their losses or move out of the red.

According to the review, the increase in the number of companies whose expectations are "uncertain" is largely found in the metal and textile sectors. It predominantly comprises companies operating at a loss.

Of the total number of companies whose results are included in the review, 18 per cent expect a loss to be incurred in 1976, compared with 27 per cent in the year before. In all, 18 per cent of the companies expect lower results than in 1976, compared with 54 per cent the year before. And 16 per cent of results would be about unchanged (14 per cent).

After studying interim reports of the 86-plus companies included in the survey, the Duibank commented that an economic recovery in Holland lost momentum fairly early in 1976 after the restock phase ended; there was also lack of domestic and foreign demand incentives. After a period characterised by sluggishness, economic conditions proved a little during autumn, and this recovery chiefly attributable to the rest in building activity.

In certain sectors of industry where structural problems in their part, insufficient capacity utilisation continued to depress results. In this connection, the metal and textile sectors, as well as some parts of the engineering industry as well as shipbuilding, the textile and the paper sector, and parts of the chemical industry like the fibres.

AMERICAN NEWS Westinghouse-Sony sale talks ended

WESTINGHOUSE ELECTRIC Corp. said talks concerning sale of its entertainment tube division as an on-going business to Sony Corp. were broken off last week, reports Reuter.

Table with columns for company name, quarter, and financial figures.

The company said it announced last year it planned either to close the operation in Elmira, N.Y., or sell it as an on-going business. It added it has been in talks with Sony for some time concerning the sale of the unprofitable division.

Table with columns for company name, quarter, and financial figures.

INTERNATIONAL PAPER

Table with columns for company name, quarter, and financial figures.

AMERICAN AIRLINES INC

Table with columns for company name, quarter, and financial figures.

EUROBONDS Good response to BFC notes

BY BERNARD SIMON

ALTHOUGH trading remained relatively light on the secondary markets yesterday, most dealers reported a slightly firmer undertone. New issue and pricing news helped make it a fairly eventful day for the Euro-markets.

reported to have bought sizeable chunks, prompted no doubt by the attractive coupon - which provides a backstop against adverse fluctuations in the Canadian dollar - and the high quality of the borrower.

Despite the recent shakiness of the Canadian dollar sector and the withdrawal last week of the Simpson-Sears offering, there has been relatively good response to Beneficial Finance's seven-year notes. Though priced at a discount (issue price was 99), the coupon and amount remain unchanged at 8 per cent, and C.\$50m. respectively. Middle Eastern and Swiss investors are

The offering yield of 9.2 per cent is only fractionally above comparable issues of General Motors Acceptance Corporation, one of the few U.S. finance companies with a better rating than Beneficial. It is expected that secondary market trading will commence at close to the issue price.

Not unexpectedly, the triple-A European Coal and Steel Community 1982 notes were also

priced at 99. Demand for this \$50m. issue had apparently been strong, but picked up yesterday when the pricing announcement.

However, some sections of the market are still not happy with the CECA terms. No matter what the price, a coupon of 7 1/2 per cent is considered too low, when compared for instance with C.F.P.A.'s 7 1/2 per cent 1981 issue, currently quoted at 100-1/2. A coupon of 7 1/2 per cent would have been more acceptable.

There was considerable interest yesterday in American stocks on the secondary market. Occidental's 1987 8 1/2 per cent bonds were marked up to 99-1/2, while Gulf and Western 1984s were steady at 99-9/8.



All these securities have been sold. This announcement appears as a matter of record only.

New Issue

February 7, 1977

\$50,000,000

EUROFIMA

(European Company for the Financing of Railway Rolling Stock)

7 1/2% Dollar Bonds Due January 15, 1984

Smith Barney, Harris Upham & Co.

Swiss Bank Corporation (Overseas)

Amsterdam-Rotterdam Bank N.V.

Banca Commerciale Italiana

Banque Bruxelles Lambert S.A.

Banque de Paris et des Pays-Bas

Banque Populaire Suisse S.A. Luxembourg

Credit Commercial de France

Credit Suisse White Weld Limited

Deutsche Bank Aktiengesellschaft

Kredietbank S.A. Luxembourgeoise

The Nikko Securities Co., (Europe) Ltd.

Société Générale de Banque S.A.

Union Bank of Switzerland (Securities) Limited

Westdeutsche Landesbank Girozentrale

Table listing various international banks and their branches, including Alabi Bank of Kuwait, Arab Financial Consultants, Bank of America, etc.

UNAUDITED RESULTS FOR THE COMPANY AND ITS SUBSIDIARIES FOR THE HALF-YEAR ENDED 31ST DECEMBER, 1976

Table showing financial results for the half-year ended 31st December 1976, including income from investments, surplus on realisation, and various deductions.

NOTES: (1) An interim dividend of 40 cents per share (January 1976 - 40 cents) was declared on 11th January, 1977. (2) No provision for possible losses on future realisations of investments or loans is included in the interim results as this is considered at the year-end.

Nippon T and T

In the first fixed interest Japanese issue to come to the U.S. domestic market this year, Nippon Telegraph and Telephone is to raise a total of \$150m. in two tranches for ten years and five years, according to a Financial Times Reporter. The borrowing is also the largest ever to be made by the Japanese Government-owned utility in the U.S. although it is a well-seasoned name in the New York market as well as in the D-Mark and Swiss Franc Euro-markets.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED

(Incorporated in the Republic of South Africa)

Table showing financial results for the half-year ended 31st December 1976, including income from investments, surplus on realisation, and various deductions.

Head Office and Registered Office, Consolidated Building, Corner Fox and Harrison Streets, JOHANNESBURG, 2001 (P.O. Box 580), JOHANNESBURG, 2000 8th February, 1977

FINANCIAL TIMES REPORT

Wednesday February 9 1977

Cakes and Biscuits

The British are a notoriously sweet-tooth nation, witness the high per capita consumption of sugared products of all kinds. For the cake and biscuit industry, however, rising prices have inhibited volume growth—although by value turnover is nudging the £750m. mark.

under the McVitie and Cadbury labels, will in future restrict itself to the role of producer.

At the same time it has reached agreement with Rank Hovis MacDougall on a supply contract and trade mark user provisions under which RHM will, for a period of at least three years, use its very much larger fleet of bread delivery vans to distribute cakes and its sales force to rotate the stocks. At the same time UB will supply other cake producers with various products and it has already come to an agreement with its other main rival, Lyons.

The rationale behind the Lyons thinking is that it can use UB production capacity to attack what was formerly a part of the UB share of the market at a time when it is waiting for its own new £25m. factory at Carlton, South Yorkshire, to come on stream.

Both UB and RHM are convinced that the welding of their interests—RHM already owns the Mr. Kipling label—will not be referred to the Monopolies Commission. But the huge cost of setting up and maintaining a national distribution network would almost certainly be beyond any of the 70 smaller bakers who the majors claim are also in the branded cake business.

In a statement concerning its withdrawal UB said that the cake market division had not been profitable for several years, and although it is keeping its longer-life and overseas cake interests—UB ready mentioned coupled with the cost of maintaining a national sales force. The company, which markets cakes voluntarily pulls out of a major

market then the doubts settle over their competitors, too.

Not has the prices merry-go-round yet come to a halt. Wheat and cocoa prices have gone up again and although sugar prices have eased from their peak they are still running at a high level. Oils and fats are up in price and the badly hit fruit crops of 1976 will mean that prices of dried fruits will also rise steeply.

The cake and biscuit industry taken together is very big. With over £460m. a year in biscuits and over £300m. a year in cakes it comes second only to bread in the league of biggest-selling products. If home-baked cakes and mixes, buns, scones, tea-cakes and frozen cakes are added on then that figure is probably creeping towards the £1bn. a year turnover mark.

Declining

Yet there is over-capacity in the production of both biscuits and cakes and this has particularly hit the cake market, which has seen volume steadily declining for the whole of the sevenies. Biscuits, in contrast, pulled back last year a little of the volume drop suffered in 1975.

At the same time the pattern of trading changed. While cakes cannot easily alter their size and weight biscuits have moved into slightly smaller packets in order to remain price competitive and in some cases multiple packs of individually wrapped biscuits, known as count lines, have been reduced in content from six to five.

One of the worst hit sectors of the biscuit market has been the fully covered chocolate

varieties as the rising price of cocoa coupled with the continuing addition of 8 per cent. VAT has led to prices rising to higher levels than the housewife will stand.

Companies like Cadbury have tried to combat this by reducing their pack size to 150 grammes and in doing so have pulled sales off the floor but volumes are still well down and there are no signs of an early recovery.

Half-coated varieties, on the other hand, have been enjoying a period of growth, no doubt partly at the expense of their fully-coated brothers.

Another factor has been the increasing use of biscuits as a snack meal at a time when household budgets are being squeezed and evidence is beginning to emerge that the general trading down in food is also leading to meal substitution with hand snacks. Both biscuits and cakes are, in general, a cheap way of satisfying hunger, and they are easy to serve to children.

So while the cake market is relatively clear-cut and easy to understand, biscuits are far more confused, with most companies having to rely on a sector by sector analysis and a separate marketing approach for each one.

The industry is dominated by United Biscuits, with about 42 per cent of the market. Associated Biscuits with about 20 per cent, and private label production, which takes another 20 per cent.

In general the industry leaders are pleased with the resilience of the market during what has been a difficult time and look forward to growth in

higher value sectors with the return of price stability and increased disposable income. But they are concerned by the proliferation of choices in several competing sectors. For instance, there are seven ginger brands on some grocers' shelves.

Combine

That is not to say there is no room for the small man or that the market should be left to the big volume producers. Of 630 brands on sale 430 are estimated to have accounted for only 5 per cent of the market, however, and the big producers are well able to combine with the major retailers in rationalising the number of lines on the shelves.

By 1974 383 buying points controlled about 82 per cent of grocery turnover, with as few as six major multiples together taking 33 per cent. In what is already a very competitive market this has meant that there has been considerable pressure on the smallest and weakest.

In order to survive the smaller companies have concentrated on what is often called a unique selling proposition. For a company like Cadbury, which has about 2 per cent of the market, this has meant a close study of the children's sector while at the same time making the rather difficult wrench away from chocolate. The company has recently spent just under £5m. on new buildings and machinery at its Moreton, Wirral, factory.

Cadbury was hit very hard by the demise of the chocolate coated sector but eventually decided that it wished to stay in the biscuit market. It has been test-marketing half-

covered animal-shape biscuits in the North-West and hopes to launch them nationally in the near future. It has also been encouraged by the early signs of interest from Europe.

At the same time it is developing other new products in the hope that they can be grafted on to an existing success with the additional help of an established name and strength in other grocery areas, like instant mashed potato, soups, and Typhon tea.

It is more difficult for a company like Chiltonian which has about 1.7 per cent of the market. Since it was taken over by Ware Carnegie Foods in 1974 the company has tried to establish individual new lines in order to improve consumer and retailer awareness while at the same time taking up any slack in production capacity by private label output.

Chiltonian says it is very aware of the need to move away from the "me too" approach which leads to severe problems for small companies which want to trade in the same market and with products similar to those of the majors.

Instead it has developed Gingerellas and the Big Top count line, for both of which it claims sales of over £1m. a year, and bought Dad's Cookies from Smiths Foods, where the competition is Lyons, with Symbol, and Cadbury. It therefore avoided a head-on confrontation with the majors, whose larger resource base and marketing muscle would ensure that they would always win.

When it is realised that ten biscuit brands account for nearly 30 per cent of grocery sales, eight of them UB, one AB and one Rowntree, then the

temptation to the grocer to limit the number of people he deals with can clearly be seen.

While the home market has remained static exports have been increasing and UB, for example, has seen its overseas revenue rise to over 40 per cent of total. Markets are spread all over the world and the British product is held in high regard. Europe remains the principal export area but North America, the Middle East, Communist Europe and the Far East are all developing.

Private label has taken an increasing share of the market and in doing so has been a boon to small manufacturers who can then spend their time churning out biscuits without having to worry about marketing.

Standards

The supermarketiers often adopt the traditional Marks and Spencer principle of imposing strict standards and specifications on the manufacturers. And even within the industry there is a measure of cross-trading as manufacturers produce some lines for their competitors.

The concept of branded goods is, however, still very strong for United Biscuits and, to a lesser extent, Associated. In competing with bread on one side and low-cost snack foods on the other they believe strongly in convincing the housewife to associate consistency and quality with a particular name, thereby ensuring frequent repeat purchases.

The same is true of cakes, three weeks. Housewives are

although daily sales of cakes through bakers shops are still a significant proportion of the trade and are estimated to account for about £70m. a year.

But the two biggest areas are packaged cake sold through grocers, currently running at about £167m. a year, and non-domestic consumption, which accounts for about £39m. a year. The latter includes supplies to institutions such as hospitals, schools, and prisons as well as through the catering trade.

Slab cake alone still accounts for about £20m. of business every year and is supplied by both the very large bakers and local bakers. Related products such as buns, scones and tea-cakes, frozen cakes and mixes sold about £62m. last year and the millers sell an awful lot of flour to housewives, and others, who make cakes at home.

The domestic cake market is taken to include fruit pies and pastries which are eaten at home. The actual size of the non-domestic market is not known and the figures quoted above are an estimate.

What it all adds up to is a very large market. Consumption per head in the U.K. is very much higher than any other European country, because in Europe there is much more emphasis on the patisserie product. In the U.S., too, there are more daily life products as well as much more emphasis on frozen cakes.

In the U.K. there has been a constant evolution of technology so that it is now possible to produce a packaged cake which will stay fresh for about three weeks. Housewives are

CONTINUED ON NEXT PAGE

If you know our Club you'll know you're in good company.

Jacob's Club is just one of 150 biscuits, cakes and snacks sold by ABL and bought by housewives and caterers all over the world.

Including your wife.

Trading under three of the biggest names in the business—Huntley & Palmers, Jacob's, Peek Freans—we baked and sold £86½ million worth of

biscuits during last year.

That's 11½ tonnes per employee.

We increased our exports by 20% worldwide and by 33% in the EEC, making £8½ million in all.

And, since 1966, our group's earnings per share have grown 23% p.a. compound. Which is more than most food manufacturers can say.



Associated Biscuits Ltd

HUNTLEY & PALMERS W & R JACOB (LIVERPOOL) PEEK FREAN
U.K. MANUFACTURING DIVISION OF THE ASSOCIATED BISCUIT MANUFACTURERS LTD

CAKES AND BISCUITS II

Market

CONTINUED FROM PREVIOUS PAGE

accustomed to buying cake from makers, stress the value-for-the-grocer and the social unacceptability of "bought cake" is rather out-dated. They have, however, proved very resistant to price increases, the worst recent year being 1974-1975 when raw material and other overhead costs went up by about 40 per cent. The total market has been dropping in volume terms by an average of 3 to 4 per cent per annum since 1970.

Last year manufacturers tried to keep price increases down and held to an 11 per cent rise compared with the 20 per cent of foods generally. They have still, however, lost some of their market to biscuits and although sponge sandwiches remain the single most popular variety there is an increasing trend to the sale of pies, choice late mini-rolls, tarts and cup cakes. This is largely due to a measure of thrift at a time when it is important to reduce waste.

Marks and Spencer, who are not manufacturers, take about 12 per cent of the market and other private labels just over 15 per cent. All the major manufacturers supply the non-domestic and private label market with Lyons the most active. Other brands, made up by a host of bakers, have seen their share of the market slip in the last few months to about 20 per cent, as the majors have promoted their brands heavily.

All the manufacturers, in common with the biscuit problem.

Expenditure on marketing and advertising has been increasing, as has the use of television, to keep the major brands in front of the public. The Mr. Kipling range has been particularly adept in this area, though point-of-sale is still regarded as very important.

So both sectors of the industry are holding their breath on prospects for 1977. Biscuits seem set to benefit even more from the growing need for cheap snack foods, while cakes are hoping that the decline can be halted.

For cakes the prospects are more clouded by the raw material cost increases in the pipeline. These are likely to be over 20 per cent, and would then lead to a further decline, but those manufacturers with a wide range of products are more likely to weather any storm by switching production to cakes with wider appeal.

Cakes were never just for children but they are probably less so now than previously as housewives look for something suitable for the whole family.

The general trend of increasing dominance by the multiple retailers plus the Co-ops, who have their own bakeries, is likely to continue. But the specialist patisserie and baker also seem assured of a continuing market and it may be the smaller grocer who is squeezed by his inability to compete in volume terms as the cost of servicing them becomes ever higher.

Pressure from rising ingredient costs

THE SUPPLY and pricing of the raw materials used by Britain's cake and biscuit industry in recent years can be summarised very easily, a leading manufacturer told me recently. In fact it could be summed up in two words, he added — "awful."

The reasons for his somewhat bitter view about the market are not hard to find or to understand. A glance down the price lists of the major ingredients used tells most of the story.

At the end of January, 1976, English milling wheat was selling on the Mark Lane market at £67 a tonne. In recent weeks the price has been over £90 a tonne—a rise of more than 34 per cent.

Over the same period cocoa prices on the London terminal market have risen from around £750 a tonne to more than £2,345 an increase of over 212 per cent. Sugar prices have eased somewhat over the past 12 months but are still high historically and there seems little prospect of a return to the low-cost sugar that was once

available to Britain's food industry. All the oils and fats used for cakes and biscuits have shot up in price. Groundnut oil, for instance, was about £400, a tonne a year ago and has since climbed to £570, a rise of over 42 per cent.

For dried fruit the worst is yet to come, with harvests badly hit in many countries. In the U.S., where the raisin crop usually averages 200,000 tonnes and meets with ease the demand of 160,000 tonnes, the 1976 harvest amounted to only 80,000 to 100,000 tonnes. This will mean a new season price of £1,300 a tonne compared with around £550 a tonne last year.

In Greece the current harvest was 47,000 tonnes compared with the average 80,000 tonnes and the price to U.K. buyers has risen to between £540 and £580 a tonne. Last year it was in the region of £350. Similarly, sultanas which cost about £300 a tonne last season are now costing between £635 and £700 owing to a smaller Turkish crop and increased demand.

What depresses people in the cake and biscuit making world—as in other parts of the food processing industry—is that there seems little or no prospect of any immediate fall in prices. This is particularly true of flour costs, which can account for between half and two-thirds of raw materials costs.

Now that Britain is a member of the Common Market it cannot automatically take advantage of low world market prices for grains—its price levels are locked into the EEC's system of farm support which relies on keeping out cheap imports which could undermine its own producers' price levels. Even home-grown grain cannot be obtained as cheaply as it used to be bought, as U.K. producers' prices are being brought up to the same levels as those of their EEC colleagues. This year will see the final stages in these transitional membership price rises.

Cocoa prices have also shot up recently resulting in rises in the retail price of chocolate and chocolate-coated biscuits. The reason for the rise is similar, although less dramatic, to that which caused the coffee price explosion. Both commodities have seen major setbacks to harvests in countries which produce an important proportion of world supplies.

In the case of cocoa, bad weather hit crops in West Africa particularly and the latest estimate made by London mer-

chants Gill and Duffus is that world cocoa production in 1976-1977 will fall short of consumption requirements by some 83,000 tonnes. Recently figures for demand in major cocoa consumption areas such as the U.S. and Britain have indicated that demand has actually been on an upward trend in recent months. But the cocoa used was bought at prices far below current price levels. Manufacturers say they can see no way they can pay over £2,250 a tonne for cocoa and continue to buy the same quantities.

plus. Again sugar producers in the Common Market are protected against the results of a severe drop in world values of sugar by the provisions of the Common Agricultural Policy which keeps out sugar which is too cheap and also provides sugar producers with an opportunity of selling their sugar into intervention.

In this way they obtain the intervention price which is an effective minimum price to the producer to give him the necessary assurance to go ahead and plant his crops with some confidence in the minimum returns he can expect.

As far as food processors are concerned the increase in producers' prices in recent years have been adequate and they would be most unhappy to see the EEC grant any further increase at its annual farm price review over the next month or two. They would be equally upset if the British Government gave way to pressures from its EEC partners, and from U.K. farmers' organisations; for a devaluation in the Green pound rate used for translating EEC farm prices into sterling terms.

As the value of sterling dropped the gap between the Green pound and the market rate widened to nearly 40 per cent at one time in January and is only just beginning to close with the recent strengthening in the value of the pound. Devaluing the Green pound to bring the two values more into line would automatically mean an improvement in producers' prices and just as automatically would lead to a rise in food

prices to processors and eventually consumers. To some extent the cereals market has already discounted a limited devaluation in the Green pound rate in its current price levels, but any change in the rate would be noticeable in sugar prices and in dairy produce prices. This year the U.K. has to face at least two further steep increases in the price to bring it up to the EEC levels without any devaluation of the Green pound. In view of the mounting surpluses—butter and other dairy products such as skimmed milk powder in the Community, food processors can see no reason at all for further encouragement being given to milk production.

They argue, not without logic, that it would be far better for the Common Market to adopt a policy of price-cut to make its dairy products more attractive and to increase its absorption to get rid of the surpluses—not make the products more expensive and more attractive to farmers to produce a bigger surplus.

With major crop failure political decisions affect prices, inflation and fluctuating fortunes of pound in addition to the risks and hazards of buying selling, it is no wonder those engaged in buying materials for food processing feel they are under pressure at the moment. Unfortunately there is little evidence to suggest that things will get easier in the year ahead.

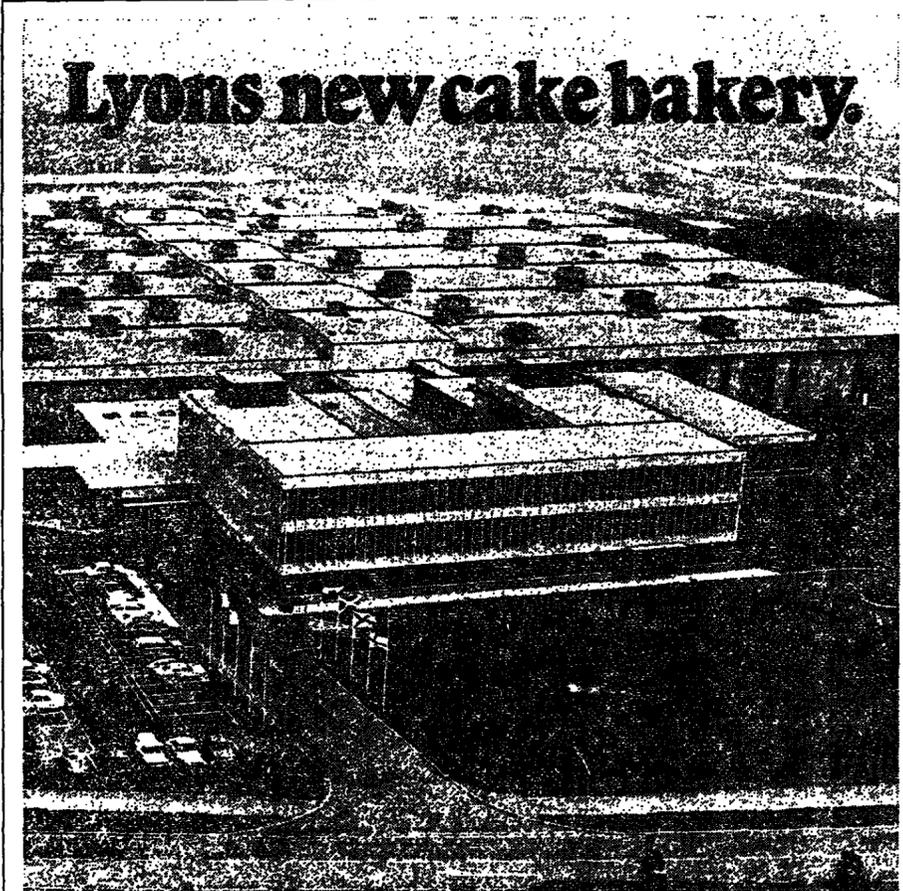
Peter Bull

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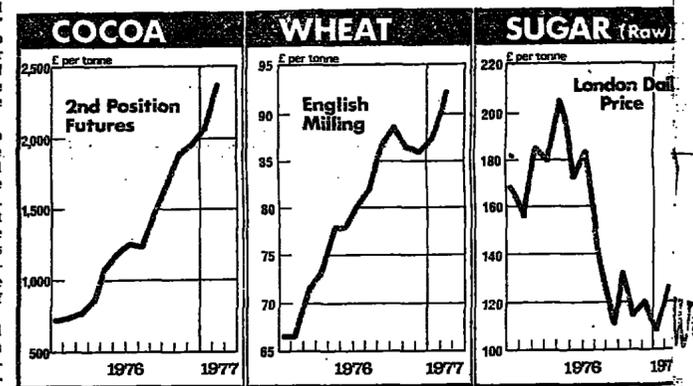


Lyons new cake bakery.

Carlton Bakery, the largest and most modern cake factory in Europe.



Lyons Bakery Ltd., Cadby Hall, London W14 0PA. A member of the J. Lyons Group of Companies.



Cakes from the freezer

WHEN frozen cakes first appeared in Britain, they made only a very small impact. Distribution was haphazard and the price differential a powerful inhibiting factor. Freezer cabinets in supermarkets were less well organised and the pressure on available space was perhaps even fiercer than today.

By 1976 over £17m. was spent on frozen cakes of all kinds in the U.K. and this is expected to increase to nearly £21m. this year, giving both a volume and value increase.

In the early 1970s the conventional cake market experienced a steady decline yet the frozen sector increased from its admittedly low base in 1970 by 230 per cent. last year.

The sector takes in all types of product from the popular dairy cream sponge produced by Birds Eye to the exotic cheese cakes produced by small kitchens for retailing through delicatessens and sandwich bars. It includes what is basically an ice cream product in Arctic Roll, yet the market in the U.K. still has not developed in anything like the way it has in the U.S.

There the emphasis is far more on fruit pies, which are probably the largest single sub-category, and glazed doughnuts are not far behind. In this country the product range is beginning to expand and over the next two years there is likely to be a quiet explosion in this sector as at least two big producers are preparing to attack the market dominance held by Birds Eye.

Birds Eye has just put its foot into the frozen cream doughnut water after test marketing in Lancashire and Yorkshire. Backed in three the doughnuts went national last month and this month two new products, chocolate and cherry layer cake and cream and orange layer cake, are due to be launched in Scotland. Last year cheese cake and chocolate cream pie made successful debuts with strawberry cheese cake particularly successful in Scotland.

All this has persuaded Birds Eye to spend over £2m. in expanding production facilities and to promise an advertising campaign this year costing

£500,000 and devoted exclusively to frozen cakes. As well as television advertising the money will be spent on a consumer competition offering cooking holidays in Normandy and, perhaps more important, on supporting major displays in supermarkets and encouraging retailers to buy extra stocks.

Testing All this activity has not gone unnoticed by other major cake producers and it is known that Lyons has been testing cakes for sale in freezers, though it is possible that Lyons will also seek to attack the potential offered by freezer centres as much as through retailers.

And Kitchens of Sara Lee, of the U.S., has set up manufacturing capacity in Yorkshire from which it has said it hopes to generate European sales of £4m. Its products have been available for some time in Britain through a limited num-

ber of outlets so the industry awaits with interest the British reaction to American flavour cheesecakes and chocolate brownies.

The main difference between the U.K. and the U.S. market is that the home market has evolved round fresh cream. It is this factor which is responsible for the general growth in the sector.

The housewife is still being offered the opportunity giving the family a recognised speciality at a not-too-expensive price. Certainly Marks Spencer seem convinced of fresh cream appeal judging their backing of higher priced chilled cakes containing 12 per cent cream.

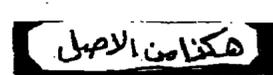
These cakes are still, however, often much cheaper than corresponding fresh products offered by bakers and producers. The specialist cake series can now be a very expensive place and the cakes available usually have a much shorter life than the designed-frozen variety.

CONTINUED ON NEXT PAGE

FROZEN BIRDS EYE CAKES

Now selling like hot cakes.

In the last five years our sales have more than doubled. We now have two-thirds of all frozen cake sales. By contrast, sales of ordinary cakes are frozen.



CAKES AND BISCUITS III

Foreigners adapt to British tastes

WHILE the home market has been suffering from assorted ailments throughout the year, exports have been growing steadily in both volume and cash terms. Wherever possible British companies have set up know-how agreements overseas, or in some cases have established overseas manufacturing capacity, either by building from scratch or by buying local manufacturers.

There are no brand traders such in the EEC, although there are a few major companies which stand out from their competitors, and to a large extent these are based in Belgium and Holland.

Elsewhere there tends to be a large number of small and often not very profitable manufacturers making a very fragmented range of products. In Germany there are a few independent, but they are usually run by specialists.

France a high proportion of its manufacturing capacity has been bought by foreign interests, so there is little scope for acquisitions.

The EEC is a very large and highly competitive market and it is biscuits rather than cakes that the volume and growth is likely.

Because of its size it requires a major marketing operation and is therefore less suitable for the small, or specialist manufacturer, except where a British product fits neatly into an agency dealing with up-market sports through a small network of specialist shops.

The Continental Europeans like British biscuits but they are not waiting opened and they already have a wide range of competent bakers producing well-packaged products which are geared to local traditions and tastes.

Although there are still problems with local laws and ingredient controls, trade barriers

are slowly coming down and the industry is hoping for early finalisation of recipe, weight and packaging legislation for the EEC.

Meanwhile, however, there are sure to be fierce battles fought out in Brussels, with the Germans likely to drive a hard bargain in order to protect their domestic producers.

While some U.K. producers become impatient with the politicians and their Brussels brinkmanship they are at least confident about being in the forefront in terms of technology.

That is only half the battle and distribution and marketing make up the other, but biscuits are not an acquired taste and they can be sold unadapted. The argument against change is that it would add cost and disturb the computer-controlled system which takes the biscuit from raw ingredient mix to the multi-pack. Far better to test a wide range of products, support the winners and withdraw the failures.

The U.K. biscuit starts off with the built-in advantage of being widely regarded as a speciality and this is an asset which the producers are quick to exploit. But price competitiveness is also important and this is inextricably linked to volume and wide distribution.

Although Europe remains the main growth market, the Middle East, Australasia and Japan are also becoming increasingly important. The Middle East, with its generally sweet tastes, has emerged as a very buoyant market, consuming more biscuits per head than anywhere else and throwing up a wealth of stories more akin to the buccaneering days of Elizabeth Tudor.

Because of port congestion and the war in the Lebanon the manufacturers have taken to sending lorry-loads of biscuits and cakes overland through Turkey.

The thought of sending 25 tons of frozen Swiss rolls at a

Tempting

time to a sweet-crazed Arab world may seem to have stepped straight out of Monty Python but it does happen and judging by the weight of biscuits being sent it can only be assumed that the area is also acting as a staging post.

In the third world the U.K. is selling more know-how than biscuits. With huge populations to feed, countries like India, Pakistan, Indonesia and countries in South America prefer to set up local manufacturing capacity rather than spend precious exchange reserves on food imports.

Other tempting opportunities are being investigated, with Yugoslavia leading the way among the European Communist countries and the vast market of China as yet unopened. Nor does the trade end with know-how and licensing agreements. The use of British processes helps the capital goods manufacturers to export as well.

In Japan, too, both United Biscuits and Lyons have negotiated licence agreements which bring in dividends and royalties from a market which would normally be closed to British products.

Cakes are far more difficult and the volume of cake exports remains small, with the EEC taking well over 50 per cent. This is mainly because local tastes in this sector are far more important and in Continental Europe the specialist patisseries still holds a strong position in the market-place.

Although the frozen sector may eventually begin to make inroads into this market it is likely to remain far more home-based than biscuits, which have a far longer life in the pack.

However, Birds Eye claims to have sold over £500,000 of cakes to Europe last year with a further £250,000 to the Middle East. Undoubtedly if the Euro-

after moving into commercial quantities.

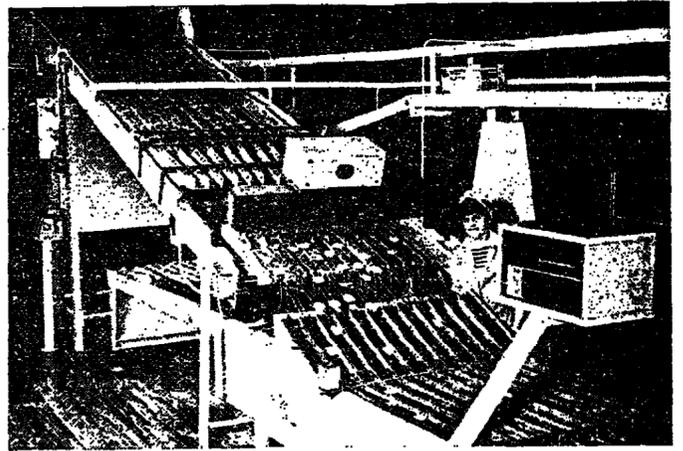
Cream crackers, renamed English crackers because of the strict European laws governing the word cream in Europe, are attacking the Swedish crispbread market. And Digestifs or Cafe du Matin are keeping the French Canadians happy.

In Iran McVities Digestive Creams are to be made locally by the country's biggest manufacturer Minoo, which has built a new factory to produce a range of McVitie's biscuits.

In Japan a brand of biscuits containing cheese and called Cheddars has been launched, while in Dubai and Muscat Chocolate Penguins fight off the heat.

While the U.K. population appears to be static, biscuit consumption with its growth overseas is still expanding and could, for some, become the major operating one over the next few years.

Stuart Alexander



Production line at United Biscuits' Harlesden factory. To ensure correct weight, biscuits are counted into stacks before packing.

Frozen

CONTINUED FROM PREVIOUS PAGE

The frozen cake market, like so many others, relies on economies of scale to survive. There is little opportunity for a small producer to break into the consumer end of the market and the catering side is very limited when costs are pared to the bone.

But a big company like Lyons can contemplate the move into the frozen area, rather than sticking solely to traditional grocer's shelf cakes, because it can afford the high launch costs and it is already established in frozen desserts through its ice cream interests. It has also seen Birds Eye frozen cream sponges establish themselves as the third largest selling cake in the U.K., behind Cadbury mini-rolls and McVitie's Jamaica ginger cake.

The U.K. market now munches its way through 3,000 tons of Birds Eye cream sponges a year and Birds Eye is confident of considerable growth. The company has also reached the stage where it looks for at least 1,000 tons a year sales of any and every new product.

Birds Eye has been deliberately looking for higher volume and giving way on margins in order to increase market awareness. It hopes to see the frozen cake market doubled in the next five years and expects at least to maintain its market share.

meanwhile, it is campaigning to persuade retail stores to give more of their frozen food space to cakes; it is finding the task much easier among those operating very large retail outlets, but then all food manufacturers prefer to deal with very large outlets where the fight for space is less intense and the bulk orders are larger.

Prices are not expected to rise by more than 10 per cent. this year but that will be in the fairly near future. So Birds Eye is hoping to persuade retailers on the one hand to order larger stocks earlier, while on the other narrowing the differential over shelf competitors and enticing more housewives.

The companies are optimistic both about this year and the longer term future. "We aim to take full advantage of our wide range of top value cakes and with additional production coming on stream we believe 1977 is the year to make the big leap forward," says Keith Jacobs, Birds Eye Marketing Director. "Frozen cakes are now the fastest growing area in frozen foods," he claims.

All cake manufacturers claim that the basis of their success is that they give good value for money. They also offer good margins to the retailer, who is actively encouraged either to include a cake section in his frozen food or to install a

separate freezer display alongside the conventional cake display area.

This is one of the reasons why Birds Eye has taken such trouble to develop a more complete range. Arguments over which variety of cake is less stodgy than another do little to convince retailers, but increasing consumer awareness and choice can attract their support.

So Birds Eye has emphasised its growing range and has at the same time urged its retailers to make a co-ordinated approach rather than haphazardly making a few sponge cakes available in the winter when ice-cream sales drop away.

The company even seemed prepared to knock its own products recently when it told retailers that if by some chance lack of space meant that cakes had to share cabinet space they should make sure they created maximum impact relative to the "more mundane frozen items."

Home freezer sales give added impetus to what seems to be a buoyant market. Birds Eye claims 59 per cent. of frozen cake sales and 24 per cent. of the bulk packs of cakes. Sponges are available in packs of six and eclairs in packs of 24.

steadily increasing market all over the country during the past ten years and has extended its availability from specialist food shops to general retailers. Yet in 1974 the total U.K. market of chilled and frozen cheesecake was estimated to be worth only about £500,000 a year in retail values. In the year after Birds Eye came in, the market trebled and has continued to grow.

The added influence of the Sara Lee range will further stimulate sales of frozen cheesecake and could also help increase the market for traditional catering suppliers.

The ability of frozen cake producers to keep to ingredients which do not have to conform to a shelf-life cycle has meant that manufacturing and freezing techniques have all been geared to making a cake which should compare with the home-produced article.

Last year they increased their market by only a modest 8 per cent. in volume. But this was a time when the wrapped cake market was struggling and followed 30 per cent. in 1974 and 50 per cent. in 1975. If the sector continues to grow in 1977 then the entry of Lyons will make the prophecy of 16 per cent. growth this year self-fulfilling.

S.A.

Many people think we're the most delicious company in Britain



United Biscuits aren't just the biggest biscuit manufacturers in Britain. We're the second biggest in the world, responsible for many of those tasty products that end up on your plate.

Of course the success of United Biscuits doesn't depend solely on biscuits. In the United Kingdom, in addition to the Biscuit Division, the Group is made up of a Cake Division which manufactures a wide variety of cakes, fruit pies, tarts and sponges; a Foods Division responsible for the KP range of crisps, nuts and savoury snacks and for servicing the catering trade; an International Division responsible for exporting biscuits, nuts and cakes to 92 countries round the world, as well as controlling many of the overseas operations; and a Bakery and Restaurant Division that operates over 370 bakery shop and restaurant outlets as well as making its own range of food products. Recently it has acquired the Wimpy and Golden Egg franchising business in the United Kingdom, covering an additional 800 outlets.

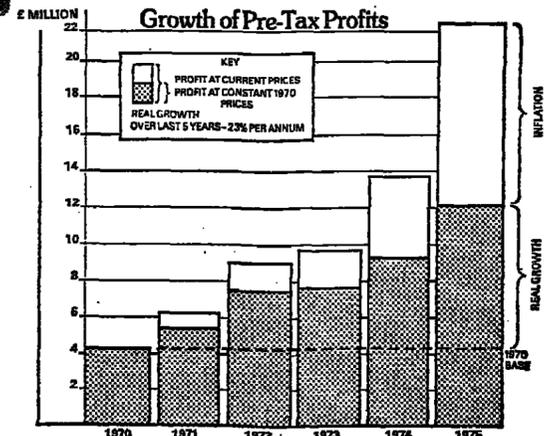
Overseas the Group has its own manufacturing companies in the USA, Spain and Belgium; sales companies in Canada and Denmark; and

a joint venture company in Japan. In addition it has royalty and licensing agreements in Australia, Barbados, the EEC, Iran, Jamaica, Japan, Trinidad and Yugoslavia. We added greatly to our international strength in 1974 by our merger with Keebler Company, the second largest biscuit manufacturer in the United States, which had sales of over £157 million in 1975.

In total our 1975 group sales were £430 million and overseas sales plus exports exceeded £182 million.

In the face of ever increasing economic difficulties we have achieved a five-fold increase in pre-tax profits between 1970 and 1975 to reach £22 million and the 1976 results, when published, will show further significant growth. Investment, too, has been increasing: in 1975 it reached £14 million, a figure further improved in 1976 and which will be considerably exceeded in 1977.

Consistent effort and a very high degree of teamwork by the 37,000 people in the company worldwide have made this record of growth and success possible.



UB United Biscuits

United Biscuits (Holdings) Limited, Syon Lane, Isleworth, Middlesex TW7 5NN

McVITIE'S · CRAWFORDS · MACFARLANES · K.P. · CARRS · WIMPY · KEEBLER

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Further rally fails to hold: down 4

Pound improves

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Feb. 8

A FURTHER RALLY failed to hold on Wall Street today, under the weight of expected ill effects of the severe winter on profits this Summer and on consumer spending.

Among Golds, Dome Mines gained \$1 to \$46. Giant Yellowknife \$1 to \$71. Camco \$1 to \$81 and Agnico-Eagle 25 cents to \$3.90.

JOHANNESBURG - Gold shares were firm in line with European bullion indications.

Sterling continued to move within a narrow range in the foreign exchange market yesterday and the authorities may have intervened during the morning to prevent too sharp a fall by the pound.

After moving ahead about four points at mid-session, the Dow Jones Industrial Average finished 4.07 down at 924.24 - its lowest level since December 2, 1976.

Public Authority Loans put an up to DM20 on rising demand, and the Regulating Authorities sold DM20m. nominal of stock.

HONG KONG - Mixed in active trading. Hong Kong Land went up 10 cents to \$HK 7.50.

Discounts on forward sterling tended to widen during the morning but showed little change on balance at the close.

TUESDAY'S ACTIVE STOCKS

Table with columns: Stock Name, Change in Price, High, Low. Includes: Marriott, Occidental Petroleum, Florida Power Light, etc.

OTHER MARKETS

Table with columns: Market Name, Change, High, Low. Includes: Canadian Stock, AMERICAN SE, etc.

EXCHANGE CROSS-RATES

Table with columns: Currency, Rate. Includes: U.S. \$, U.K. £, Swiss Franc, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Term, Rate. Includes: 1 month, 3 months, 6 months, etc.

INDICES

Table with columns: Index Name, Value, Change. Includes: NEW YORK - DOW JONES, S&P 500, etc.

STANDARDS AND POORS

Table with columns: Index Name, Value, Change. Includes: Industrials, Composite, etc.

OVERSEAS SHARE INFORMATION

Table with columns: Country, Stock Name, Price, Change. Includes: NEW YORK, CANADA, GERMANY, etc.

NEW YORK

Large table listing various New York stocks with columns: Stock Name, Price, Change.

CANADA

Table listing various Canadian stocks with columns: Stock Name, Price, Change.

GERMANY

Table listing various German stocks with columns: Stock Name, Price, Change.

BRUSSELS/LUXEMBOURG

Table listing various Brussels/Luxembourg stocks with columns: Stock Name, Price, Change.

FARMING AND RAW MATERIALS

Coffee and cocoa prices fall

COFFEE PRICES fell back sharply yesterday on the London terminal market in what dealers saw as a reaction to Monday's dramatic increase. By the close March coffee was quoted at £2,980 a tonne, £48 down on the day.

Traders said Monday's rise took prices into producer selling levels but noted that Monday's rise was a traditionally slow day for origin sales.

But prices eased back and a "slippy" opening in New York brought further declines early in the day. Dealers attributed the early rise to European offtake, notably from Holland.

Cocoa prices also added lower yesterday despite rising early in the day. Dealers attributed the early rise to European offtake, notably from Holland.

Colombian Government has authorised establishment of a special fund of 2,500m pesos to boost coffee production and improve existing plantations, the presidency announced, Reuter reported from Bogota.

Colombia expects to have a crop of between 8.5m and 9m 60-kilo bags this year.

U.S. may impose honey import curbs

WASHINGTON, Feb. 8. A U.S. Congressional panel will consider legislation which would require President Jimmy Carter to order import restrictions on honey, AP-Down Jones reports.

Former President Gerald R. Ford's committee on the U.S. International Trade Commission which called for tariff-rate quota restrictions on imports of honey, totalling about \$16m a year, from several Western Hemisphere countries and Australia.

Under the 1974 Trade Act, White House rejection of majority recommendations by the Commission in "import relief" cases could be subject to a Congressional override, if both the House and the Senate approve legislation which would require the White House to put into effect import restrictions.

The subcommittee is expected to decide quickly whether to recommend approval or rejection of proposals to override the White House decision of last August.

American assurance on freeze-hit farm exports

"While grain supply areas in the Midwest are experiencing some hardships and short-term delays as a result of the weather, no severely abnormal transport problems are being encountered," the Department said.

The Department said a review of the severe winter weather on U.S. exports of farm products was conducted by the Foreign Agricultural Service, Agricultural Marketing Service and the Economic Research Service.

The Department said some U.S. maize and soybean exports have been slowed by weather-related problems and some increases in transportation costs have occurred when exporters have switched from barge to rail delivery in moving large quantities of cargo to New Orleans and other Mississippi Gulf ports.

However, it noted, wheat exports are moving normally to West Gulf and West Coast ports.

Under a U.S.-Soviet grain sale agreement reached in 1972, American carriers were to ship one-third of the grain the Soviets agreed to buy. But since the accord was signed, U.S. vessels have received only 23 per cent of the grain business.

The agreement also stipulated a third of the grain would be hauled by Soviet ships and the final third by other nations' vessels.

The new rate basically continues the \$16 charge in effect since September, 1975, when the Soviet Union agreed to boost a \$9.50 rate which U.S. negotiators said was too low.

WASHINGTON, Feb. 8. \$16.47 a tonne for grain shipped this year, up from \$16. The boost is meant to compensate the U.S. industry for its failure to get the full one-third share in the past.

Russia also assured the U.S. that American vessels will carry one-third of all the future shipments, Mr. Blackwell said.

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Reuter

Big rise in farm rents

AVERAGE FARM rent in England and Wales rose by 17.8 per cent in the 12 months to mid-October last year, the Ministry of Agriculture reported yesterday.

The Ministry's rent inquiry covered some 26,600 farms with a total area of 1.6m hectares, or almost a third of the total area of tenant and agricultural land in England and Wales.

About 37 per cent of the farms had a rent change and the average rents on those farms rose from £21.30 a hectare to £25.71—an increase of more than 44 per cent.

The increase of the newly determined average rents in England and Wales would be determined by agreement with sitting tenants remained by far the most common method of reaching new rents accounting for all but 2 per cent.

On these farms the average rent rose by 32.4 per cent, from £21.38 to £28.25 a hectare. In the case of the small number of sitting tenants whose rent increase was fixed by arbitration the rise was 76.8 per cent, from £21.99 to £39.88 a hectare.

Surprisingly the rents for new tenants fixed by tender showed the biggest rise, up by 168 per cent, from £20.36 to £54.17 a hectare.

Minor metals

A BRIGHTLY shining though little noted star in last year's generally clouded metals markets was tungsten ore (wolfram).

Despite recession in the steel industry worldwide prices have forged ahead in the past year, with U.K. c.i.f. prices for wolfram climbing steadily from just over \$80 a tonne unit (22.95 lbs of WO₃) last January to double that now.

Most of the rise has come in the past three months, with prices in January alone leaping by almost \$20 a tonne unit.

Last week trading prices in London touched over \$170 a tonne unit and few market-watchers see any signs of a drop in the foreseeable future, though a levelling-out is inevitable.

Evidence of the exceptionally firm market was provided at last month's regular tungsten auction by the U.S. General Services Administration. Usually, bids for tungsten ore are said to be prices, but January's bids (which transport costs to Europe must still be added) were well within the prevailing Metal Bulletin trading price range.

A problem in analysing the tungsten market is that despite the reasons of its strength — the dearth of reliable information. "Be sure to speak to at least four or five people, and then make up your mind about who's right," one trader said.

Tungsten continues to surge ahead

Those mentioned are: expanded tungsten ore production; higher tungsten prices; tungsten ore or merely the topping-up of dwindling domestic output.

Although demand in the West is slack, the likely steel industry recovery later this year is another bull factor for tungsten.

European stocks of high-grade tungsten ore are said to be alarmingly low at present — around 300-700 tons.

Meanwhile, wolfram supplies are tight. Despite their apparent need for foreign exchange, the Chinese have been extremely tight-lipped with their tungsten. Late last year they indicated a 40 per cent fall-off in shipments during 1977 and only a trickle came out of the country in January.

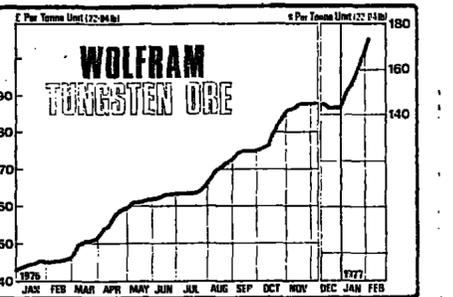
Observers disagree on whether the cutback has been of China's own choosing (to drive prices even higher) or has been forced on it as a result of increasing domestic consumption, disruption of the work of last year's early quake (though the mines are well away from the ravaged area) and current political upheavals.

The latter assessment is reinforced by reports that several

tungsten shipments have recently been switched to northern and southern ports not normally used for this purpose.

It is also reported that Thailand is having difficulty meeting orders. Mostly poor grade ore is coming from the southern mines, and is being mixed with better quality material from Burma. (Tbal output is estimated to have dropped 100 tons in 1975.)

A further plentiful supply factor is the G.S.A. stockpile, for the buying spree. Among which at present holds more



Downturn in tin market

TIN PRICES fell back on the London Metal Exchange yesterday from the all-time high levels reached on Monday. In quiet trading conditions cash tin closed £57.5 down at £5.945 a tonne, and three months lost £4.4 to £8.058.5.

The decline was started by a slight fall in the Penang market overnight when the Straits tin price eased by \$37 to \$31.527 after rising in less than a week from \$31.428.

The downturn in London was also encouraged by reports of fresh arrivals of tin shipments from the East, which triggered off some freer offerings of cash metal in particular.

It was noted that the influential buyer, who has helped push prices up recently, was absent yesterday.

There were unsubstantiated rumours of a syndicate, reported to be backed by an oil company, attempting to "corner" the market for tin among traders yesterday.

However, it is understood that a routine meeting of the Metal Exchange management committee today will investigate whether there is any substance to the rumours about the activities of one dealer in particular.

Other base metal markets also took a "breather" yesterday after the recent price rises, with trading activity more subdued.

Lead was buoyed up by news that the big U.S. producer, Asarco, was following the recent price rise to 29 cents a pound, but buying interest was slight. As a result, cash lead closed £1.25 up at a new peak of £39.25 a tonne.

Silver values eased on overnight news from the U.S. of a move to reintroduce a Bill to authorise the sale of 117.5m ounces from the strategic stockpile.

Better prospect for wool expected

SLUGGISH STOCK movements through the pipeline, setbacks in economic recovery and the uncertain business climate are the main problems affecting Australian wool markets.

Despite this, demand could rise by the end of the month, trade sources said.

Japan and Western Europe which took nearly 70 per cent of the clip last season remain hesitant and subdued, but two factors are starting to be felt, sources said.

Record U.S. commodity trading

WASHINGTON, Feb. 8. COMMODITY FUTURES trading in the U.S. last year increased 14.6 per cent to a record \$6.9m transactions, the Commodity Futures Trading Commission said.

The commission said the volume of the commodities represented by the transactions totalled nearly \$820bn, 37.2 per cent above the \$597bn in 1975.

Canada assures Japan

TOKYO, Feb. 8. Canadian officials have assured Japan of an adequate supply of Canadian rapeseed this year at the two-day Japan-Canada rapeseed trade talks.

Far bigger

Traders agree Russian purchases have been the main proponent of the present strong market and, with orders spread among several Western dealers, were far bigger than most realised.

PRICE CHANGES

Table with columns for commodity name, price per ton, and change. Includes items like Tin, Lead, Zinc, Copper, and various oils.

U.S. Markets

Table with columns for commodity name, price, and change. Includes items like Copper, Cocoa, and Coffee.

COMMODITY MARKET REPORTS AND PRICES

Table with columns for commodity name, price, and change. Includes items like Copper, Tin, Lead, Zinc, and various oils.

COFFEE

Table with columns for coffee type, price, and change. Includes items like Arabica and Robusta.

WOOL FUTURES

Table with columns for wool type, price, and change. Includes items like Merino and Crossbred.

GRAINS

Table with columns for grain type, price, and change. Includes items like Wheat, Corn, and Soybeans.

RUBBER

Table with columns for rubber type, price, and change. Includes items like Natural and Synthetic.

SILVER

Table with columns for silver type, price, and change. Includes items like Standard and Fine.

SOYABEAN MEAL

Table with columns for meal type, price, and change. Includes items like Full and Dehulled.

SUGAR

Table with columns for sugar type, price, and change. Includes items like Raw and Refined.

Cyanamid Avatan advertisement featuring a bird and the text 'Getting more out of the feed you put in'.

U.K./U.S.A. Gulf Westbound Rate Agreement advertisement with details on freight rates and terms.

Regie Nationale des Usines Renault advertisement for a loan of FF200,000,000.

Plant and Machinery advertisement for a choice of 50 used Fork Lift Trucks.

Dunbee advertisement for a choice of 50 used Fork Lift Trucks.

Plant and Machinery advertisement for a choice of 50 used Fork Lift Trucks.

Hopes grow for resumption of cockle sales

THE COCKLE industry at Leigh-on-Sea, Essex, hopes to get the green light soon to resume sales to Billingsgate Market in London after a food poisoning scare put the fishermen and processing sheds out of business.

Mr. Tony Middle, of Leigh Cockle Merchants, told a meeting of the Kent and Essex Fisheries Committee that the ban since December 23 had cost the industry between £5,000 and £5,000. He blamed a "panicking official" for condemning Leigh cockles after reports of poisoning at hotels.

He said Southend Health Authority had passed the cockles as grade one and contamination tests had proved negative. The merchants were hopeful that a meeting on Friday between the Ministry of Agriculture, the Port of London Authority and the Fishmongers' Company would decide that the ban could be lifted.

FINANCIAL TIMES

Table with columns for date, price, and change. Includes items like 26th Feb, 27th Feb, and 28th Feb.

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STOCK EXCHANGE REPORT

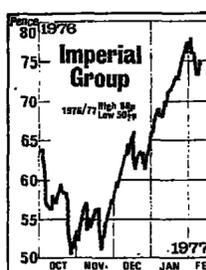
Gilts pick up to end firmly on interest rate hopes Share index down 5.3 at 392.2 after attempted rally fades

Account Dealing Dates

Table with columns for Dealings Dates (Jan 31, Feb 10, Feb 22, Feb 28, Mar 8, Mar 22) and Last Account Dates (Feb 28, Mar 8, Mar 22, Apr 5, Apr 19).

The inflationary pressures implicit in the January wholesale price indices continued to undermine sentiment in equity share markets yesterday.

cautiously, surged forward to establish many fresh peaks and the lower fully recovered early falls extending to 1 to close higher on the day.



Decca above worst A dull day in Electricals saw the leaders turn lower on small profit-taking.

De La Rue please The miscellaneous industrial majors repeated Monday's easier trend yesterday as prices receded further on small profit-taking.

Oils retreat Although quieter than the previous day, Oils continued to trade actively with Shell beginning the top place for total bargain marking.

FINANCIAL TIMES STOCK INDICES

Table of stock indices including Government Securities, Fixed Interest, Industrial Ordinary, Gold Mines, and Equity turnover.

HIGHS AND LOWS

Table showing high and low prices for various stock categories like Govt. Sec., Fixed Int., Ind. Ord., and Gold Mines.

S.E. ACTIVITY

Table showing S.E. activity for various companies including Anglo-Continental, Anglo-Indo, Anglo-Norfolk, etc.

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

Large table of equity groups and sub-sections with columns for Index, Change, and various stock categories like Capital Goods, Building Materials, etc.

ACTIVE STOCKS

Table of active stocks including Shell Transport, B.A.T.s, ICI, BP, etc.

NEW HIGHS AND LOWS FOR 1976/77

Table showing new highs and lows for 1976/77 for various stocks.

RISES AND FALLS

Table showing rises and falls for various categories like British Funds, Banks, etc.

BASE LENDING RATES

Table of base lending rates for various banks and institutions.

DEALING DATES

Table of dealing dates for various financial instruments.

MONY MARKET

Interest rates steady Bank of England Minimum Lending Rate 12 per cent.

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Table of dealing dates for various financial instruments.

Half rail fare for students

STUDENTS WILL continue to qualify for half-rate rail tickets for the first time since 1962.

Gold move ahead

The strength of both bullion and shares in overnight transatlantic markets and the subsequent rise in the metal price here.

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INSURANCE RATES

Table of insurance rates for various companies.

AUTHORISED UNIT TRUSTS

Handwritten note in Arabic script at the top center of the page.

Main table of authorized unit trusts, organized into columns such as Abbey Unit Tr. Mgrs. Ltd., Discretionary Unit Fund Managers, Hill Samuel Unit Tr. Mgrs. Ltd., M & G Group, and various other trust managers. Each entry includes the trust name, manager, and financial data.

INSURANCE, PROPERTY, BONDS

BOND DRAWING PUBLIC NOTICES. Includes 'BANQUE FRANCAISE DU COMMERCE EXTERIEUR' and 'GLASGOW DISTRICT COUNCIL' notices regarding bond drawings and public notices.

Table of insurance, property, and bond companies. Columns include company names like Abbey Life Assurance Co. Ltd., Currier, Tophet Life Ass. Co. Ltd., and various financial details.

MEMO TO INVESTORS: HOW TO MAKE REAL MONEY IN 1977. Text explaining investment opportunities and the benefits of the Private Investor's Letter.

OFFSHORE AND OVERSEAS FUNDS. Table listing various international investment funds such as Arthurian Securities (C.I.) Limited, Charterhouse Japhet, and G.T. Management (Asia) Ltd.

TO: THE PRIVATE INVESTOR'S LETTER. Contact information for the letter, including address (Dept. IPH, 13 Golden Square, London W1) and a request to send the letter by return of post.

NOTES. Additional information and disclaimers regarding the investment services and fund performance.

VALUATION FOR BALANCE SHEETS BERNARD THORPE & PARTNERS

DANGER OF RETREAT FROM EEC OBJECTIVES

Jenkins urges economic union

BY PHILIP RAWSTORNE

LUXEMBOURG, Feb. 8.

MR. ROY JENKINS, in his first "state of the Community" address to the European Parliament here today, called for a further and urgent advance towards economic integration.

The gravest danger now facing the EEC was that of retreating from its objective of economic union, he declared.

In a 55-minute speech—briefly but warmly applauded by MPs who will debate it on Thursday—Mr. Jenkins pledged his newly-appointed Commission to provide the Council of Ministers with a well-programme of practical action.

The President of the Commission, adopting a broadly pragmatic approach to the problems facing the Community, declared: "We must not promise what we cannot achieve... but at the same time we must not limit our real possibilities of achievement by a deadening caution or an inability to lift our sights."

The whips become the quarry

By Rupert Cornwell, Lobby Staff

FOR ONCE hunted instead of hunters, the Government whips were yesterday trying to explain away the debacle of the Bill rejected by one vote on a division in which the Prime Minister and the Chancellor of the Exchequer were absent without leave.

To lose a piece of legislation on second reading (the main vote on the principle of a Bill) for the first time since 1945 is crime enough.

To contrive to do so in a way which allows the Opposition to accuse Mr. Callaghan of being the man responsible should be enough to send any self-respecting whip into premature retirement.

If further embarrassment were possible, the distinguished absentee is none other than a Prime Minister who has just been issuing fierce warnings about the need for greater party discipline and dismissing a clutch of Parliamentary Private Secretaries for failing to observe it.

To give the credit, Mr. Callaghan and Mr. Healey did believe they were unofficially paired. The Prime Minister yesterday told the Commons just that.

But the Conservative pairing lists make no mention of either of them, nor of about 30 Labour back benchers who felt they were due an early night.

One of those was Sir Harold Wilson—perhaps excusably, for he must have had other problems on his mind.

So it was a day of contrition for the whips—the party managers whose job is to shepherd, cajole, or bully their flocks through the right lobbies—for allowing the reduction of Redundancy Rebates Bill (1977) to be lost, and with it an £18m. cut of public spending.

Perhaps it was devolutionary exhaustion, or simply complacency after months of pushing through far more contentious legislation with a threadbare majority.

Japan to raise prices in shipyard pact

BY DAVID CURRY

PARIS, Feb. 8.

JAPAN ANNOUNCED today that it would raise its shipbuilding prices and introduce limited restraint on competition with European yards in serious economic difficulty.

These proposals were part of a Japanese package of measures laid before the OECD shipbuilding committee meeting here designed to meet European Community complaints that Japan's "unilateral" world shipbuilding to the virtual exclusion of European yards.

However, the Japanese delegation specifically repeated its rejection of the EEC's demand for a mutual 50-50 division of the Japanese and Western European markets.

Instead Mr. Muneto Shishaki, director general of the ship bureau in the Japanese Transport Ministry, made three specific proposals:

1—The Ministry of International Trade and Industry will instruct Japanese yards to raise prices for vessels of 2,500 tons and larger "if possible". The instruction would also apply to vessels below 2,500 tons. This order would remain in force throughout 1977 and 1978.

He did not specify by how much prices would rise as a result of the tightening of controls envisaged except that it would be related to the yard's costs and profitability. Nor did he say whether direct subsidies would be involved but suggested that higher prices would, in any case, improve profitability.

2—Where a national industry could show that it was in "exceptional difficulty" because of Japanese competition the Japanese Government would encourage its yards to restrain exports to those countries. This would apply for 1977 only, it is understood.

3—The Japanese Government is also prepared to order further reductions in permitted working hours in shipyards if Japanese share of world shipbuilding exceeded 50 per cent.

However, Mr. Shishaki said that the Japanese industry was itself experiencing severe unemployment problems because of the reductions in hours ordered last November.

Money supply falls again

BY MICHAEL BLANDEN

A FURTHER fall in the money supply last month is clearly indicated by banking figures published today.

The heavy official sales of gilt-edged securities during the period are reflected in a decline of £282m. in the sterling deposits held by U.K. residents with the London clearing banks.

The impact also shows up in a substantial decline in the banking system's total eligible liabilities.

The figures published by the Bank of England show eligible liabilities fell £730m. to £38.14bn. in the six weeks to mid-January. These liabilities are the main deposit funds of the banks and the major constituent of the money supply on the wider definition (M3).

The full statistics for January, which are due to be published next week, should therefore confirm the success of the measures taken by the authorities to bring the growth of the money stock under control.

The effect of these measures was seen in the December banking results, with a fall of 0.3 per cent in the sterling element of the money stock on which attention is now being focused.

The continued fall last month should mean the system is well within the expected increase of 9-13 per cent in sterling M3 in the financial year to mid-April.

Expansion Today's figures also show the banking system has made progress in complying with restraints imposed under the so-called corset controls. These were re-activated as one of the main official moves to control the money supply.

The interest-bearing resources of the banks as a whole last month were less than 2 per cent above the base level for calculating the corset restrictions. This is comfortably on target to keeping the expansion of these resources within the required 3 per cent between August-October and February-March.

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THE LEX COLUMN

Imps ahead in the king size war

BY MICHAEL BLANDEN

The news from the Imperial Group is that a big marketing success has been achieved in 1973-76, with nothing like the adverse short-term impact on profits that might have been feared. Overall profits are up from £108.8m. to £129.6m. pre-tax, and the dividend—to the market's visible relief—has gone up by the maximum permitted amount. Against the general trend, the shares rose 13p to 75p on the day.

The group claims that it now has about a third of the king-size cigarette market in the U.K., compared with a tenth or less a year ago. Other brands have lost sales, notably in the Embassy stable, but the overall market share is said to be roughly unchanged at 66 per cent.

This marked change in the sales pattern has been built on heavy promotional spending—the launch of John Player King Size is said to have been one of the most expensive ever together with keen price competition. At the same time, overall consumption of cigarettes in the U.K. seems to have fallen a little during 1976. Yet profits from tobacco were marginally higher over the year at £80.1m. before interest—and all the increase came during the second six months, when the price war was really hotting up.

One explanation is that promotional spending on the established brands has been cut heavily. Yet these figures still tell a remarkable story about the stability of the overall market, and Imps' ability to control it. King size brands have roughly doubled their share of consumption to around 17 per cent, and Imps expects that this proportion will have doubled again by the time the new tax structure—which has to be fully implemented by next January—is established. Meanwhile, it is prepared for competition to get tougher.

Among the non-tobacco interests, which now account for 47 per cent of pre-interest profits, the feature is a rise of over 50 per cent in the foods division to £30.4m. This has become as important as the brewery side, where profits stagnated during the summer months partly as a result of industrial trouble.

The group's current performance shows "some advance" on a year ago, and on the showing of the tobacco business so far the group seems to be heading for a reasonably stable profits performance this year. However, enthusiasm for a yield of over 10 per cent, has to be tempered by the fact that the dividend costs £38.5m.—which might not be covered by pre-tax profits of a little under £60m. on a current cost basis.

De La Rue De La Rue's third quarter profits are more than double and for the nine months, up to £9.5m. ahead at £14.5m. — company's traditional business—bank note and security printing—continues to fuel substantial profits upturn, with a much healthier pricing structure (plus very buoyant export demand) explaining the bulk of the sharp jump in trading margins. Last year the sector side contributed 97 per cent, pre-interest trading profits a so far there is little evidence of much improvement in the problem areas—graphics and plastics.

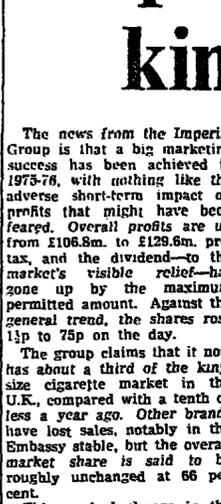
Crosfield Electronics, which lost almost £1m. last year, moved into profit in the last quarter, but will make only token contribution this year. Meanwhile, on the Formulae side, the important French subsidiary continues to lose money, which along with the losses German and South Africa associates, helps explain group's above-average charge. Nevertheless, full year profits of £21m. and earnings per share of 55p look like putting the shares, which are 20p up at 280p last night, on a prospective yield of 7.1 per cent and a p/e ratio of 5.1.

Squeezing Taken as a whole the bank system had by mid-January squeezed back inside the corset clearing banks were significantly over the limit. The February figure for BSI is the first that can incur penalties, and then only to the extent that it affects the February-April average.

The key point about the big figures is that they suggest the money supply fell in January for the second month in nine. Accurate calculations not possible at this stage, but could well be that sterling seasonally adjusted, will show growth of around 7 per cent, after eight months of financial year, against the 4 per cent target range. With underlying trend of bank lending looking sluggish the authorities can now take a fairly relaxed posture, although a warning of lower group profits for the year. Assuming £13m. against £13.6m. pre-tax, the

Index fell 5.3 to 392.2

U.K. BANKING SECTOR



The interest-bearing resources of the banks as a whole last month were less than 2 per cent above the base level for calculating the corset restrictions. This is comfortably on target to keeping the expansion of these resources within the required 3 per cent between August-October and February-March.

The signs are, however, that the London clearing banks could still be in danger of incurring penalties under the corset. While the banking system as a whole has cut the growth of interest-bearing resources, the London clearers are still about 61 per cent above the base.

There are signs that some of the banks might be prepared to risk incurring penalties under the corset rather than imposing too stiff a squeeze on borrowers.

If their interest-bearing resources grew more than 3 per cent during the relevant period, but by less than 6 per cent they would be required to place only 5 per cent of the excess in the form of non-interest-bearing special deposits with the Bank. It is only over the 6 per cent growth level that the penalties become severe.

The lending pattern of the London clearing banks last month was heavily influenced by the seasonal impact of the debiting of end-year interest and commission charges and by tax payments. As a result their sterling advances to the U.K. private sector rose £721m.

But after allowing for the seasonal influences there appears to have been little underlying movement in the level of lending.

The banks say the fall in sterling deposits was appreciably more than would be expected on normal seasonal grounds. This probably reflected the substantial success of the monetary authorities in selling government stock.

At present we have over 20 offices and affiliates around the world, and we just opened in Amsterdam. And recently opened in the Middle East.

Currently we're serving the world through loans. And also lending something as valuable as money. Financial advice gained through nearly 100 years of banking experience.

Weather

U.K. TO-DAY

Table with weather forecasts for various UK regions: CLOUDY, rain at times. London, E. Anglia, Midlands, Channel Is., SE, NW and Cent. England. Cloudy, rain at times. Winds SW light. Max. 9C (48F).

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Slow reports Page 19

Continued from Page 1

CBI

slower one—than it has had for some time.

The survey, regarded as one of the most accurate guides to underlying industrial trends, was carried out last month before the publication of the Bullock report. Bullock's main findings were well known by then, however, and the report is not expected to have had a major impact on confidence.

The CBI, which yesterday met with a number of major oil companies to discuss its vigorous rejection of the Bullock recommendation, has arranged to meet Mr. James Callaghan on Tuesday to discuss the future of the report.

It is seeking firm assurances from the Prime Minister that the Government is not planning to implement the majority recommendations but will allow time and flexibility for alternative participation arrangements to be introduced.

Stock Exchange go-ahead for final Talisman scheme

BY MARGARET REID

THE STOCK EXCHANGE Council decided by a "very conclusive" vote yesterday to go ahead with the final £5m. stake of its £13.2m. Talisman scheme to computerise much of the routine work in settling sales and purchases of shares.

The tariff of charges provisionally fixed to make the service pay its way on the basis of an average 15,000 bargains a day envisages a fixed charge to the broker of 25p per bargain, with a further 10p for each £100 of consideration between £500 and £50,000.

The jobber will bear a further charge on a similarly graduated basis so that charges are split between the broker and the jobber in the ratio of 70:30.

A key principle in working out this indicative tariff, which will be finalised after a review in mid-1978, has been the council's policy of charging less than the cost on smaller bargains. More than 70 per cent of all share deals are for private investors, whose transactions account, however, for only 33 per cent of the value of share turnover.

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TOKAI BANK advertisement with logo and contact information.